

Report Highlights

University of
Louisiana System

February 2003

Louisiana Legislative Auditor



A 1998 amendment to the 1974 Louisiana Constitution reorganized higher education by creating a structure with the Board of Regents and four management boards, including the University of Louisiana System (ULS). The ULS consists of a board of supervisors, a system office staff, and eight universities.

The ULS Board of Supervisors is composed of 15 members appointed by the governor for six-year overlapping terms and one student member who is elected for a one-year term. The Fiscal Year 2003 General Appropriations Act authorizes 21 full-time equivalent employees for the ULS Board of Supervisors. The ULS educates approximately 80,000 students per year, employs about 3,700 faculty members, offers over 600 academic degree programs, and is the largest post-secondary education system in Louisiana.

Audit Results

- ◆ In Fiscal Year 2002, the ULS employed 17 full-time and six part-time staff members at a cost of almost \$1.2 million.
- ◆ We found some cases where job descriptions either do not contain essential duties or contain duties that are not performed.
- ◆ Although some areas may need improvement, the Board of Supervisors and universities within the ULS expressed overall satisfaction with the services provided by the Board of Supervisors and system office staff.
- ◆ The state constitution and state law provide no specific procedures for appointing members to the Board of Supervisors.
- ◆ The ULS lacks specific, detailed written requirements governing orientation, training, and participation for members of the board. It also lacks formal bylaws or policies and procedures that ensure hiring and retention of qualified system office staff and university presidents, although its current practices do meet several best practices recommended by experts and used in other Southern Regional Education Board states.
- ◆ Little specific guidance exists in state law and the ULS has not fully developed formal bylaws or policies and procedures that would ensure that the board and system office staff are adequately informed about the financial condition and stability of the universities within the system.
- ◆ The system is working to improve the internal audit function, but it is still underutilized.
- ◆ The ULS could reduce costs by implementing and coordinating purchasing strategies.
- ◆ Members of the Board of Supervisors, the system office staff, and university administrators do not have timely access to critical data because the system has no centralized database.

Grover C. Austin,
CPA

First Assistant
Legislative
Auditor

What are the mandated roles and functions of the ULS Board of Supervisors and the system office staff?

What We Found

- ➔ The board and its staff are constitutionally and statutorily responsible for the supervision and management of the eight universities within the ULS. Internal rules and regulations require the board and staff to provide direction, control, supervision, management, and assistance to the universities.
- ➔ In some cases, it was difficult to determine whether the board and staff fulfilled essential duties and responsibilities provided for in state law. We also found one case where the staff's job descriptions do not contain essential duties they perform. In other cases, job descriptions contain duties the staff does not perform.

Recommendations

- ✓ The Board of Supervisors and system office staff should determine whether all legally mandated requirements are being carried out and then either implement those requirements or approach the legislature to have them repealed.
- ✓ The system office should periodically review job descriptions for accuracy and completeness.



How satisfied are the universities with the services provided by the ULS Board of Supervisors and system office staff?

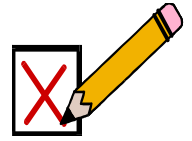
What We Found

- ➔ Overall, the eight ULS universities said they are satisfied with the services provided by the board and system office. However, they did assign low ratings for the system-wide audit function, campus master planning, and graduation strategies for teacher education candidates.

Recommendations

- ✓ The Board of Supervisors and system office staff should review the service deficiencies cited by the universities, determine if problems exist, and take corrective action where necessary.
- ✓ The Board of Supervisors and system office staff

should conduct periodic customer satisfaction surveys of the universities.



Are policies and procedures in place to ensure that members of the ULS Board of Supervisors, the system office staff, and university presidents are qualified to carry out their management responsibilities?

What We Found

- ➔ Neither the state constitution nor state law provides specific direction on how ULS board members are to be selected or on how to ensure that they possess necessary qualifications. Few provisions governing orientation, training, and participation for board members are included in statute or ULS bylaws or policies and procedures. The ULS has few clear, documented requirements for hiring and setting salaries of its staff or university presidents.

Matters for Legislative Consideration

The legislature may wish to consider:

- ✓ Establishing an advisory commission within the Board of Regents to screen and select potential nominees to Louisiana's higher education governing boards as well as specific criteria regarding qualifications of nominees.
- ✓ Passing legislation that establishes specific detailed participation, orientation, and training requirements for appointees to the ULS Board of Supervisors.

Recommendations

- ✓ The Board of Supervisors should adopt bylaws or policies and procedures that require its staff to provide formal education and training to the members of the board and university administrators. The position descriptions of appropriate staff should be updated to reflect this new responsibility.
- ✓ The Board of Supervisors should adopt bylaws or policies and procedures that provide specific procedures for hiring system office staff, filling university president vacancies, and setting and adjusting their salaries.
- ✓ The ULS should work with the Board of Regents to amend the Board of Regents Administrative Salary Policy to identify specifically the populations covered by that policy.

What procedures exist to ensure that the ULS Board of Supervisors and system office staff are fully informed about the financial stability and condition of the universities within the system?

What We Found

- ⊖ The ULS has not fully developed formal reporting requirements for the universities in the system.
- ⊖ The system-wide internal audit function is underutilized.

Matters for Legislative Consideration

The legislature may wish to consider passing legislation that:

- ✓ Establishes uniform, specific, detailed reporting requirements for higher education
- ✓ Provides for the confidentiality of university internal audit work papers and works in progress

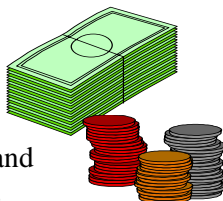
Recommendations

- ✓ The Board of Supervisors and system office should adopt formal bylaws and/or policies and procedures on reporting requirements for the universities.
- ✓ The Board of Supervisors should take a more active role in monitoring internal audit activities.
- ✓ The internal audit director should prepare and coordinate a system-wide internal audit plan and ensure that the universities follow it.
- ✓ The system office should identify the authority needed to ensure internal audit confidentiality.

Could the ULS Board of Supervisors and system office staff coordinate and implement purchasing strategies to reduce costs?

What We Found

- ⊖ The ULS has not yet implemented many of the purchasing strategies it has studied. The Vice President of Finance and Administration estimated that \$8.8 million per year could be saved by improving operating efficiencies and increasing employee productivity;



reducing consumption and utility rates; and reducing information technology costs for hardware, software licenses, maintenance, and other associated costs. Other savings may be possible, as well.

Recommendations

- ✓ The Board of Supervisors and system office staff should implement cost-savings measures approved by the Ad-Hoc Purchasing Committee and continue working with the Division of Administration, legislative staff, and the Office of State Purchasing to make needed changes in state purchasing rules and policies.
- ✓ The Board of Supervisors and system office staff should improve coordination and communication between the system office and university purchasing officials.
- ✓ The system office should conduct a staff utilization study to determine how to best allocate current staff.
- ✓ The Board of Supervisors and system office staff should work with university purchasing officials to develop a manual containing best practices for purchasing. The staff should distribute the manual to purchasing officials at each university and hold training sessions to review it with them.

Could the ULS Board of Supervisors and system office staff coordinate activities to improve the accessibility of information for the board, its staff, and the universities within the system?

What We Found

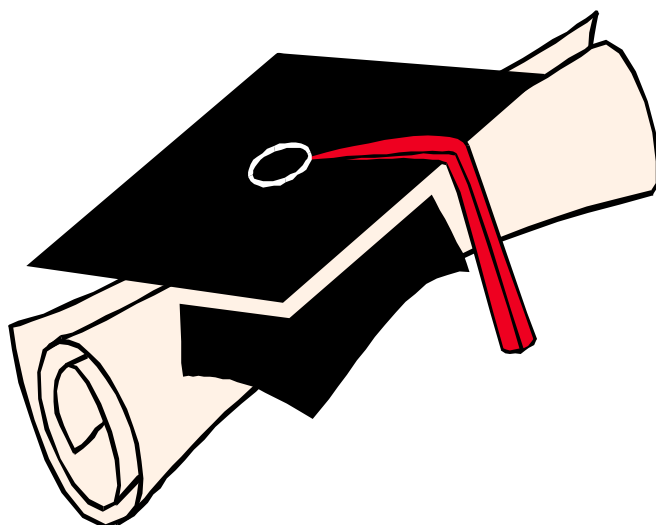
- ⊖ The use of technology would allow the system office to better coordinate activities. The lack of a centralized database impedes the system office's ability to identify problem trends and address them in a timely manner.



Recommendations

- ✓ The system office staff should conduct a cost-benefit analysis to determine the amount of time, effort, and other associated costs of developing a centralized database and compare those costs to the benefits that would be derived. If the benefits outweigh the costs, they should develop the database.

- ✓ The Board of Supervisors and system office staff should work with the Board of Regents, the Office of Facility Planning and Control, the Office of Planning and Budget, and other entities to reduce or eliminate reporting redundancies by the universities.



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Questions? Call Grover Austin at 225-339-3800.

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STATE OF LOUISIANA LEGISLATIVE AUDITOR

University of Louisiana System
Baton Rouge, Louisiana

February 2003



Performance Audit

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February 19, 2003

The Honorable John J. Hainkel, Jr.,
President of the Senate
The Honorable Charles W. DeWitt, Jr.,
Speaker of the House of Representatives

Dear Senator Hainkel and Representative DeWitt:

This report gives the results of our performance audit of the University of Louisiana System. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

The report contains our findings, conclusions, and recommendations. We have also identified five matters for legislative consideration. Appendix C contains the University of Louisiana System's response to the audit. I hope this report will benefit you in your legislative decision-making process.

Sincerely,

A handwritten signature in cursive script, reading "Grover C. Austin".

Grover C. Austin, CPA
First Assistant Legislative Auditor

GCA/ss

[ULS03]



Office of Legislative Auditor

Performance Audit University of Louisiana System Executive Summary

This audit identifies the roles and functions of the University of Louisiana System (ULS) Board of Supervisors and the system office staff. It also reviews areas related to management of the system by the board and staff. The results of the audit are as follows:

Roles and Functions of ULS Board and System Office Staff *(See pages 7 through 17 of the report.)*

- In Fiscal Year 2002, the ULS employed 17 full-time and six part-time staff members at an approximate annual cost of almost \$1.2 million.
- We could not determine whether two of the system's many statutorily mandated duties and responsibilities are being performed because they are not included in ULS bylaws, policies and procedures, or job descriptions. Also, some job descriptions may need to be updated.
- Overall, universities within the ULS expressed satisfaction with the services provided by the Board of Supervisors and system office staff. However, some areas may need improvement.

Qualifications of Board Members, System Office Staff, and University Presidents *(See pages 19 through 29 of the report.)*

- Neither the state constitution nor state law provides procedures to be used in appointing members to the ULS Board of Supervisors. In addition, the ULS lacks specific, detailed written requirements in its bylaws or policies and procedures governing, orientation, training, and participation for members of the Board of Supervisors.
- The ULS lacks formal bylaws or policies and procedures that ensure the hiring and retention of qualified system office staff and university presidents, although its current practices do meet several best practices recommended by experts and used in other Southern Regional Education Board states.
- Overall, board members expressed satisfaction with the services they receive from the system office staff, although they cited some deficiencies.

Financial Condition and Stability of Universities *(See pages 31 through 39 of the report.)*

- Little specific guidance exists in state law and the ULS has not fully developed formal bylaws or policies and procedures that would ensure that the board and system office staff are adequately informed about the financial condition and stability of the universities within the system.
- Even though the system is working to improve the internal audit function, it is still underutilized and does not ensure that university activities are adequate, effective, efficient, and functioning.

Purchasing Strategies Considered to Reduce Costs *(See pages 41 through 45 of the report.)*

- The ULS could reduce costs if it implemented and coordinated various purchasing strategies throughout the universities within the system.

Accessibility of Data *(See pages 47 through 49 of the report.)*

- Because of the lack of a centralized system for gathering and accessing data from the universities, the members of the ULS Board of Supervisors, the system office staff, and university administrators do not have timely access to critical data.

Introduction

Audit Initiation and Objectives

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. R.S. 24:522 establishes the Louisiana Performance Audit Program, which requires that a performance audit be conducted within each state department, including Higher Education, within a seven-year period. The Legislative Audit Advisory Council approved the scheduling of this audit in February 2002. We focused the audit on the management of the University of Louisiana System (ULS) by the ULS Board of Supervisors and the system office staff.

Our audit objectives were to answer the following questions:

- What are the mandated roles and functions of the ULS Board of Supervisors and system office staff, what resources are used to carry out those roles and functions, and how satisfied are the universities with the services provided by the board and staff?
- Are procedures in place to ensure that members of the ULS Board of Supervisors, the system office staff, and university presidents are qualified to carry out their management responsibilities?
- What procedures exist to ensure that the ULS Board of Supervisors and system office staff are fully informed about the financial stability and condition of the universities within the system?
- Could the ULS Board of Supervisors and system office staff better coordinate and implement purchasing strategies to reduce costs?
- Could the ULS Board of Supervisors and system office staff coordinate activities to improve the accessibility of information for the universities within the system?

Appendix A contains our audit scope and methodology. Appendix B contains a summary of all Matters for Legislative Consideration and Recommendations made in this report. Appendix C contains the ULS response to this audit.

System Overview



A 1998 amendment to the 1974 Louisiana Constitution reorganized higher education by creating a structure with four management boards and the Board of Regents. The management boards are responsible for the day-to-day operations of campuses within their systems. The four systems are the University of Louisiana System, the Louisiana State University System, the Southern University System, and the Louisiana Community and Technical College System. The Board of Regents is responsible for state coordination of all public colleges and universities. The constitution and state statutes outline the following duties of the Board of Regents and the management boards.

Board of Regents

- Formulates master plan and equitable funding formula
- Approves, disapproves, and modifies proposed and existing degree programs
- Reviews operating and capital outlay budget proposals and makes recommendations to legislature
- Studies the need for and feasibility of any new institution of post-secondary education

Management Boards

- Expend funds appropriated to boards
- Set tuition and attendance fees (subject to legislative approval)
- Purchase or lease land, buildings, and equipment
- Employ and fix employee salaries
- Review and approve curricula
- Ensure that the institutions within their systems comply with all policies and Board of Regents directives

The ULS Board of Supervisors is composed of 16 members. The governor appoints all members, except the student member, for six-year overlapping terms. The student member is elected for a one-year term. The board has a staff that helps it carry out its functions. According to the Fiscal Year 2003 Executive Budget Request, the ULS Board of Supervisors and system office had 15 full-time equivalent authorized employees in Fiscal Year 2001. In Fiscal Year 2002, it was authorized to have 21

full-time equivalent employees. The Fiscal Year 2003 General Appropriations Act authorizes the ULS to maintain this level of 21 full-time equivalent employees.

The Board of Supervisors approves actions according to the following process:



The following eight universities are in the ULS:



Nicholls State University

McNeese State University

Northwestern State University

Grambling State University

Southeastern Louisiana University

Louisiana Tech University

University of Louisiana at Monroe

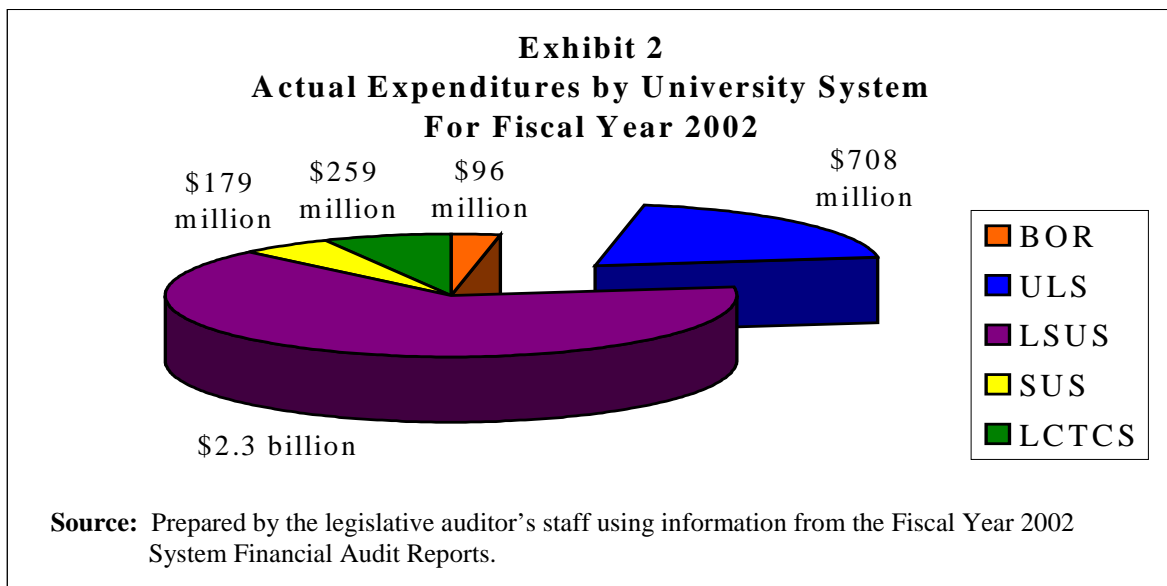
University of Louisiana at Lafayette

The ULS educates approximately 80,000 students per year, employs about 3,700 faculty members, and offers over 600 academic degree programs. As seen in Exhibit 1 below, when compared to the other systems within the state, the ULS is the largest post-secondary education system in Louisiana.

Exhibit 1 ULS Enrollment Compared to Other Systems 2001-2002 School Year		
Institution	Location	Enrollment
University of Louisiana at Lafayette	Lafayette	15,489
Southeastern Louisiana University	Hammond	14,522
Louisiana Tech University	Ruston	10,694
Northwestern State University	Natchitoches	9,415
University of Louisiana at Monroe	Monroe	8,765
McNeese State University	Lake Charles	7,780
Nicholls State University	Thibodaux	7,206
Grambling State University	Grambling	4,500
University of Louisiana System Total		78,371
Louisiana State University	Baton Rouge	31,402
University of New Orleans	New Orleans	17,014
Louisiana State University	Shreveport	4,113
L.S.U. Health Sciences Center	New Orleans	2,762
Louisiana State University	Eunice	2,748
Louisiana State University	Alexandria	2,715
L.S.U. Law Center	Baton Rouge	667
Louisiana State University System Total		61,421
Southern University	Baton Rouge	9,095
Southern University	New Orleans	3,741
Southern University	Shreveport	1,445
Southern University System Total		14,281
Delgado Community College	New Orleans	13,404
Baton Rouge Community College	Baton Rouge	4,180
Bossier Parish Community College	Shreveport	3,957
Elaine P. Nunez Community College	Houma	1,924
South Louisiana Community College	Lafayette	1,021
River Parishes Community College	Sorrento	431
Louisiana Delta Community College	Monroe	No data submitted; first year of operation
Louisiana Technical College	42 campuses	Approximately 28,000
Louisiana Community and Technical College System Total		52,917
Source: Prepared by legislative auditor's staff using data provided by the Board of Regents.		

The mission of the ULS is to supervise and manage the institutions within the system as constitutionally prescribed in order for them to more effectively serve the educational needs of the residents of the state. The goals of the ULS are to maximize educational opportunities for all residents served by system institutions, to enhance overall quality and effectiveness of the ULS, and to increase accountability and efficiency of operations.

Exhibit 2 shows the amount of actual audited expenditures for each system for Fiscal Year 2002. As can be seen, the ULS ranks second in terms of expenditures. The LSU System incurred more expenditures than the ULS, even though the ULS has a significantly larger student population.



Total operating expenditures for the ULS for Fiscal Year 2002 are as follows:

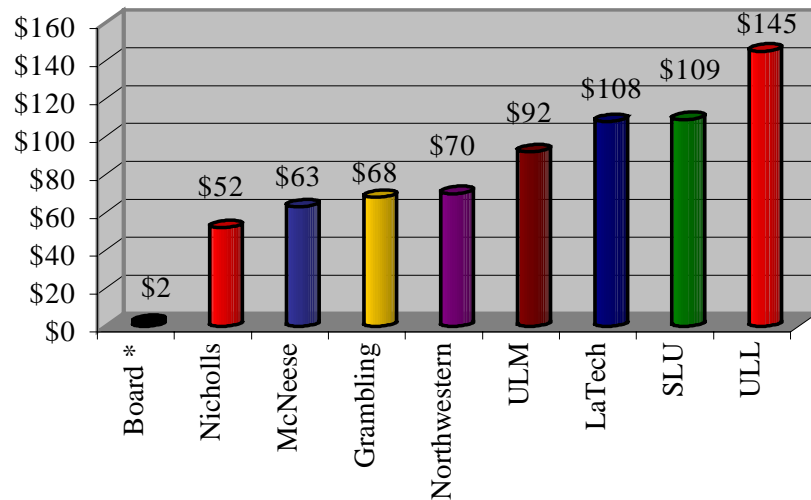
Education and General

Instruction	\$231,678,384
Research	57,615,843
Public Service	14,485,843
Academic Services	52,930,722
Student Services	40,332,591
Institutional Support	63,884,125
Operations and Maintenance of Plant	52,379,697
Depreciation	36,257,320
Scholarships and Fellowships	51,129,513
Auxiliary and Enterprises	99,732,557
Other	4,598,630
Total	<u>\$705,025,225</u>

Nonoperating expenditures totaled \$2,639,550.

Exhibit 3 shows the amount of actual audited expenditures for the ULS Board of Supervisors and its institutions for Fiscal Year 2002.

Exhibit 3
Actual Expenditures for ULS Board and Institutions
For Fiscal Year 2002 (in millions)



*\$1.5 million is desegregation flow-through funding, according to ULS staff.

Source: Prepared by the legislative auditor's staff using information from the Fiscal Year 2002 System Financial Audit Reports.

Roles, Functions, and Staffing of ULS Board of Supervisors and System Office Staff

What are the mandated roles and functions of the ULS Board of Supervisors and system office staff?

The board and its staff are constitutionally and statutorily responsible for the supervision and management of the eight universities within the ULS. Internal rules and regulations require the board and its staff to provide direction, control, supervision, management, and assistance to the universities. The responsibilities actually conducted by the board and staff are, for the most part, consistent with legal requirements. However, we did find some exceptions.

Roles and Functions of Board and System Office Staff

Article 8, Section 6 of the Louisiana Constitution creates the ULS Board of Supervisors. This provision states that the board has supervision and management responsibilities of the state colleges and universities not managed by other Louisiana higher education boards. R.S. 17:3351 provides that the board has the authority to exercise power necessary to supervise and manage the institutions under its control. Some of these powers are to:

- Employ, fix salaries, and fix duties for board and university staff
- Adopt, amend, and repeal rules and regulations necessary for the business of the board and the government of ULS colleges and universities

R.S. 17:3302 states that there shall be a president of each post-secondary system who shall serve at the pleasure of the Board of Supervisors. This chief administrative officer is responsible to the board for the conduct of the affairs of the post-secondary system. The ULS bylaws state that the Board of Supervisors is to provide direction, control, supervision, management, and assistance to the universities of the ULS in its efforts to provide quality education, research, creative activities, and service. The bylaws also say that the board is to establish and maintain the highest quality of instruction, research, and service in each university. The system's policies and procedures provide direction for board and university staff in the areas of academics, students, faculty and staff, finance and business, athletics, facilities planning, and adoption, as well as the repeal and amendment of policies and procedures.

According to ULS system office staff we interviewed, the role of the board is to oversee the day-to-day operations and management of the eight ULS universities. The system office staff's duties can be broken down into the following areas: Academic Affairs; Student Affairs; Finance and Administration; Planning and Budget; Strategy and Communication; Institutional Research; Facilities Planning; Internal Audit; and Accreditation and Accountability. According to university staff we surveyed, the board and staff primarily act as a liaison between the universities and other entities; provide technical guidance, advice, and assistance; coordinate and oversee implementation of laws and policies and procedures; and coordinate and oversee system meetings, communications, and information dissemination.

In general, the duties and responsibilities contained in Louisiana law are consistent with those presented in the ULS bylaws, policies and procedures, and job descriptions. However, we did find two

instances where statutorily mandated responsibilities are not specifically contained in the bylaws, policies and procedures, or job descriptions:

1. Adopting policies and rules authorizing institutions to develop and conduct courses of study for inmates and personnel at state correctional institutions
2. Encouraging assistance to advance economic development

We also found one case where state law [R.S. 17:3351 (A) (17)] grants the board the authority to adopt academic calendars. Although the law does not mandate that academic calendars be adopted, adopting academic calendars appears to be a fundamental duty of a higher education management board. However, we found no mention of this duty in the ULS bylaws, policies and procedures, or job descriptions. In addition, we found that in one case, job descriptions do not contain an essential service provided by the system office staff. In this case, the staff informed us that a major part of their jobs is to hold meetings with the universities to discuss common concerns, identify emerging issues, and provide assistance. However, the job descriptions do not contain this job duty.

We also found instances where the job descriptions contain tasks that are not being performed. For example, according to the job description, the Facilities and Planning staff is responsible for reviewing, evaluating, and approving physical master plan proposals for each campus. However, seven of the eight universities have outdated and/or incomplete plans. According to staff, the plans have not been updated because the system office is in the middle of Phase II of a three-phased approach to campus master planning. Another example is in the area of Internal Audit. The internal audit director's job description says that he is to prepare a consolidated system-wide annual audit plan. However, the director informed us that there is no such plan, and we could not identify any such plan. Finally, in the area of Planning and Student Affairs, a staff member informed us that there were three tasks in her job description that she has not had to conduct. Having current job descriptions is an essential management tool. A ULS official informed us that they hired a consulting group in December 2002 to conduct a staff task analysis, which involves a review of job descriptions and actual tasks performed.

Recommendation 1: The ULS Board of Supervisors and system office staff should determine whether all legally mandated requirements are being carried out. They should then consider whether to implement those requirements or approach the legislature to have them repealed. In addition, they should address whether other important duties contained in state law should be carried out even though they are not mandated.

Summary of ULS Response: ULS agrees with this recommendation. The two statutorily mandated responsibilities discussed in the report will be listed in the Bylaws. (*See Appendix C for full text of ULS response.*)

Recommendation 2: The ULS system office staff should periodically review all job descriptions to ensure that they contain accurate and complete employee responsibilities and tasks. Essential tasks that are not contained in the job descriptions should be added. Tasks that are no longer performed or necessary should be deleted.

Summary of ULS Response: ULS agrees with this recommendation. Job descriptions should be periodically reviewed in relation to board policies and procedures, bylaws, and statutory responsibilities. *(See Appendix C for full text of ULS response.)*

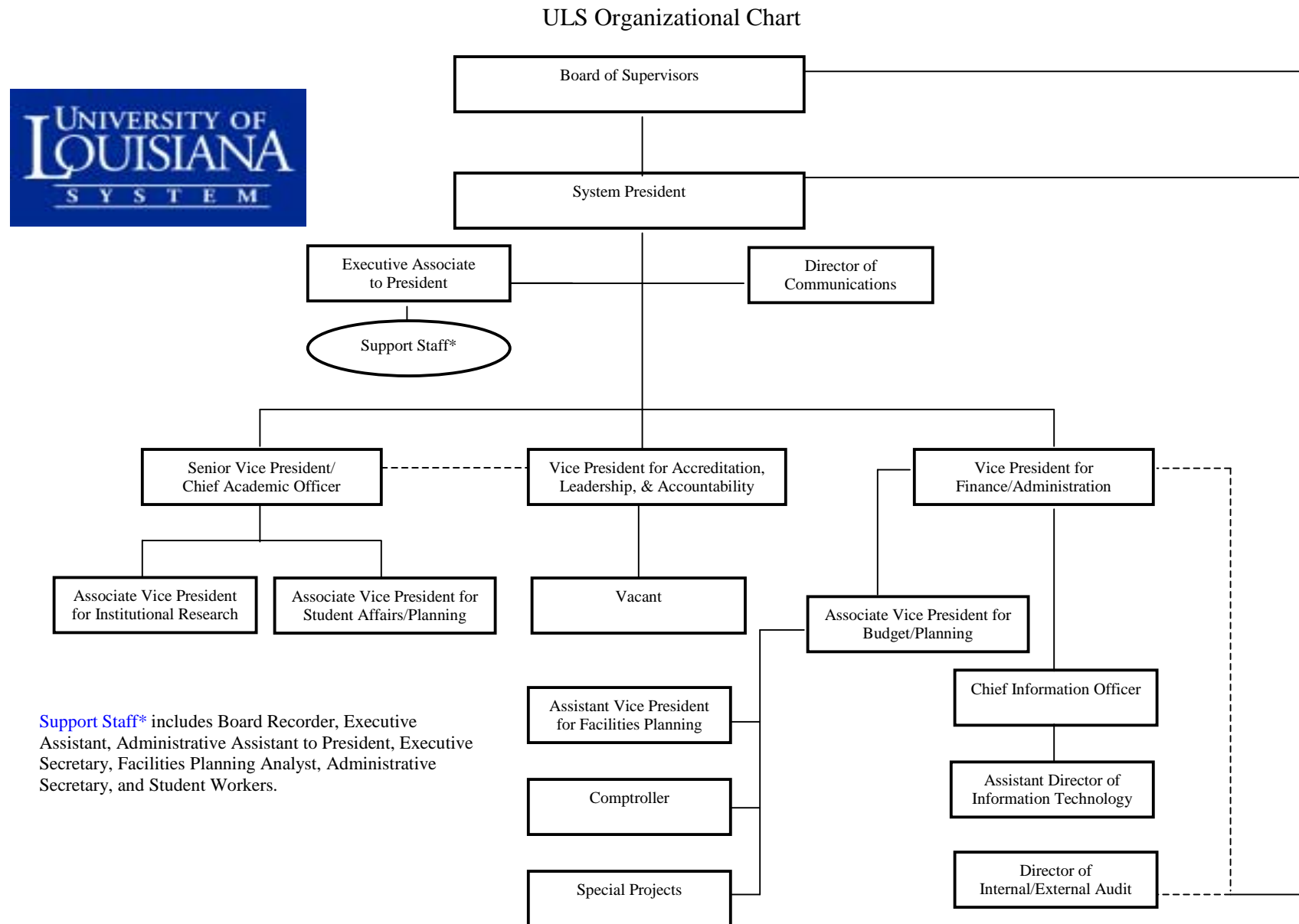
What resources are used to carry out the roles and functions of the ULS Board of Supervisors and system office staff?

According to information obtained from the ULS, in Fiscal Year 2002, the ULS Board of Supervisors and system office employed 23 staff members (17 full-time and six part-time) at an approximate cost of almost \$1.2 million to carry out its roles and functions. The Fiscal Year 2002 salary expenditures for the 23 staff members are shown below.

Exhibit 4 Salary Expenditures for ULS System Office Staff Fiscal Year 2002	
Position	Salary Expenditure
President	\$170,150
Senior Vice President/Chief Academic Officer	124,736
Vice President of Finance and Administration	120,812
Associate Vice President for Budget/Planning	57,428
Director of Communications	85,860
Assistant Vice President for Facilities Planning	79,531
Vice President for Accreditation, Leadership and	39,803
Associate Vice President for Student Affairs/Planning	68,888
Associate Vice President for Institutional Research	66,027
Director of Internal/External Audit	37,750
Special Advisor to the President*	8,385
Comptroller	48,304
Executive Assistant	44,667
Facilities Planning Analyst	44,406
Board Recorder and Supervisor of Records	47,835
Assistant Director of Information Technology	16,345
Executive Secretary	31,172
Staff Assistant*	6,586
Administrative Assistant	21,219
Student*	12,706
Administrative Secretary*	23,788
Student*	5,086
Student*	6,360
Total	\$1,167,844
*Part-Time Employee Source: Prepared by legislative auditor's staff using information obtained from the ISIS-HR System and ULS. Note: Figures in salary expenditure column do not reflect the individuals' annual salaries. Current salaries of some staff are higher than the figures shown because some staff were not employed for the full year.	

The bylaws of the Board of Supervisors provide for the payment of per diems to the members of the board. Each board member is entitled to receive a per diem of \$50 for each day of attendance at board meetings, meetings of committees on which the member serves, or while conducting duties assigned by the board. These per diem expenditures totaled \$8,100 in Fiscal Year 2002. Board members are also entitled to 32 cents per mile for travel and the reimbursement of actual expenses for lodging and meals. Board members received \$17,587 in travel reimbursement in Fiscal Year 2002.

The ULS board and staff are currently structured according to the organizational chart on the following page. The positions and salaries listed in Exhibit 4 on page 9 do not exactly match those in the organizational chart on page 11 because figures in Exhibit 4 are from Fiscal Year 2002, and positions listed in the organizational chart are as of August 23, 2002 (i.e., Fiscal Year 2003).



How satisfied are the universities with the services provided by the ULS Board of Supervisors and system office staff?

Overall, the eight universities within the ULS said that they are satisfied with the services provided to them by the Board of Supervisors and system office staff. In addition, most of the universities stated that the board and staff are both proactive and reactive in their management activities. Although the board and system office received high overall ratings, the universities did assign some low ratings for certain types of services. Low customer satisfaction ratings in those areas may indicate that attention by the board and staff is warranted to ensure that those services are provided in the most effective manner possible.

Survey Results

Overall, the universities said that they are satisfied with the services they receive. However, they did cite deficiencies in the following functional areas:

- Institutional Research
- Facilities Planning
- Internal Audit

For these areas, the universities gave the fewest “Satisfied” and “Very Satisfied” ratings.

When asked for their overall satisfaction rating for the ULS board and system office as a management entity, six universities (75%) reported that they were satisfied, and two (25%) reported that they were very satisfied. We also asked the universities to provide their overall satisfaction rating for the quality of services provided by the individual functional areas within the system office. The results are presented in Exhibit 5 on the following page. The order in which the functional areas are listed in the exhibit indicates the ranking of the functional areas as rated from highest to lowest in terms of satisfaction ratings.

Exhibit 5 Overall Satisfaction Ratings for Services Provided by Individual Functional Areas	
Functional Area	University Responses
Academic Affairs Staff	All eight universities (100%) were very satisfied.
Student Affairs Staff	All eight universities (100%) were either satisfied or very satisfied.
System President	All eight universities (100%) were either satisfied or very satisfied.
Finance and Administration/ Planning and Budget Staff	All eight universities (100%) were either satisfied or very satisfied.
Strategy and Communications Staff	All eight universities (100%) were either satisfied or very satisfied.
Institutional Research Staff	Seven universities (87.5%) were either satisfied or very satisfied. One university (12.5%) was dissatisfied.
Facilities Planning	Seven universities (87.5%) were either satisfied or very satisfied. One university (12.5 %) was dissatisfied.
Internal Audit Staff	Seven universities (87.5%) were either satisfied or very satisfied. One university (12.5%) was dissatisfied.
Source: Prepared by legislative auditor's staff using responses received from survey of universities.	

When asked if the board and/or system office staff are proactive, reactive, or a combination of both, six universities (75%) responded that they are both proactive and reactive. That is, the board and staff actively try to identify issues before they become problems, but they also tend to resolve some problems only after the universities bring them to their attention. Two universities (25%) stated that the board and staff are reactive. One university commented that the board and staff need to recognize certain clear signs that a university is on the path to financial problems and make corrections early. Another stated that the board and staff sometimes wait until individual problems become system-wide issues before addressing them.

In general, the universities suggested that more assistance is needed with legal matters, capital outlay projects, and the creation of a physical master plan. They also recommended uniformity in athletics and meetings between the system president and campus presidents on a regular and uninterrupted basis.

Potential Deficiencies by Functional Area

We also identified potential service deficiencies in the following areas. The ratings in this section are for individual job duties related to the overall functional areas previously discussed. We obtained the job duties from the staff's job descriptions. It is possible for the board and staff to have

received high overall satisfaction ratings in some major functional areas (as reported in Exhibit 5) while receiving lower ratings in one or more job duties of those major functional areas.

Academic Affairs

- Several universities cited deficiencies with the following job duties of the Academic Affairs staff:
 - Facilitating university's efforts to obtain external funds for academic research and support
 - Compiling and maintaining records
 - Assisting in determining effective recruitment for teacher education candidates
 - Assisting in determining retention for teacher education candidates
 - Assisting in determining graduation strategies for teacher education candidates
 - Working with universities to prepare annual Title II teacher education accountability reports

The universities' primary response for each of these job duties was that they were not familiar with these services. These responses may indicate that the Academic Affairs staff is not providing these services.

Student Affairs

- The Student Affairs staff are supposed to provide coordination and publicizing of activities for students through system e-mails and brochures. Three universities (37.5%) said that they were not familiar with this service. These responses may indicate that the Student Affairs staff is not providing this service.

President

- The president's job description states that she is to make certain that system-wide academic program reviews are conducted to ensure the most appropriate use of state resources. Two of the universities (25%) said that they were dissatisfied with this service, one university (12.5%) said that it was not familiar with this service, and one university (12.5%) said that the president does not provide this service. Therefore, 50% of the universities did not give favorable ratings in this area. These responses may indicate that the president is either not providing this service as effectively as needed or is not providing it at all.

Finance and Administration

- The Finance and Administration staff are supposed to provide leadership for the development of campus automated information system plans. Three universities (37.5%) said that they were dissatisfied with this service, and three universities (37.5%) said that they were not familiar with this service. Therefore, 75% of the universities did not give favorable ratings in this area. These

responses may indicate that the Finance and Planning staff is not providing this service as effectively as needed or is not providing it at all.

Planning and Budget

- Job duties for the Planning and Budget staff include assisting universities with the creation of strategic plans. Two universities (25%) said that they were dissatisfied with this service, and one university (12.5%) said that it was not familiar with this service. Thus, 37.5% of the universities did not give favorable ratings in this area. These responses may indicate that the Financial Planning staff is not providing this service as effectively as needed or is not providing it at all.

Strategy and Communications

- Several universities cited deficiencies with the following job duties of the Communications staff:
 - Maintaining an accurate and timely system Web site
 - Working on higher education issues and initiatives with Board of Regents public relations officials
 - Keeping the ULS Board of Supervisors informed of issues affecting the universities

Primarily, the universities said that they were not familiar with these services. These responses may indicate that the Communications staff is not providing these services.

Institutional Research

- Several universities cited deficiencies with the following job duties of the Institutional Research staff:
 - Holding quarterly institutional research directors committee meetings to discuss common concerns and provide assistance
 - Establishing standardized data reporting practices
 - Ensuring data collection accuracy and consistency
 - Facilitating communication among the university institutional research staff, the system president, and the Board of Regents
 - Assisting with development and submission of strategic and operational plans
 - Serving as a system liaison to other state agencies

Primarily, universities said that they were dissatisfied with these services. These responses may indicate that the Institutional Research staff is not providing these services as effectively as needed.

Facilities Planning

- Several universities cited deficiencies with the following job duties of the Facilities Planning staff:
 - Providing long-range campus planning
 - Presenting universities' facility needs to the Board of Regents
 - Coordinating capital outlay projects with the Board of Regents and Joint Committee on Higher Education
 - Monitoring projects
 - Assisting with regulatory agencies
 - Developing best practices policies in planning and management
 - Reviewing physical master plan proposals
 - Evaluating physical master plan proposals
 - Approving physical master plan proposals
 - Holding regular meetings to discuss common concerns, identify emerging issues, and provide assistance

For each of these deficiencies, two or more universities responded that they were either dissatisfied, very dissatisfied, or not familiar with these services or that the staff does not provide these services. These responses may indicate that the Facilities Planning staff is not providing these services as effectively as needed or is not providing them at all.

Internal Audit

- Several universities indicated deficiencies with the following job responsibilities of the Internal Audit staff:
 - Providing an independent and objective internal audit function
 - Obtaining university input when creating the system-wide audit plan
 - Ensuring that internal audit findings are resolved
 - Participating in the training of the university auditors
 - Holding regular meetings to discuss common concerns, identify emerging issues, and provide assistance

Most of these job duties received "Dissatisfied" or "Very Dissatisfied" ratings. These responses may indicate that the Internal Audit staff is not providing these services as effectively as needed. Our findings on the internal audit function, which are described later in this report, indicate the same.

Recommendation 3: The Board of Supervisors and system office staff should review the service deficiencies cited by the universities in this section and determine if problems with the provision of these services actually exist. In doing so, they should consider whether the services are really necessary. The board and staff should then formulate and implement steps for corrective action.

Summary of ULS Response: The ULS agrees with this recommendation. The staff will continue to work with the board members and university administrators to identify and correct deficiencies in services. *(See Appendix C for full text of ULS response.)*

Recommendation 4: The Board of Supervisors and system office staff should conduct periodic customer satisfaction surveys of the universities to ensure that they are providing essential and adequate services to them on a continuing and evolving basis.

Summary of ULS Response: The ULS agrees with this recommendation. The staff will conduct periodic surveys. *(See Appendix C for full text of ULS response.)*

Qualifications of Board Members, System Office Staff, and University Presidents

Are policies and procedures in place to ensure that members of the ULS Board of Supervisors, the system office staff, and university presidents are qualified to carry out their management responsibilities?

Although ULS practices in some areas meet established standards for best practices, the system lacks specific and comprehensive formal policies and procedures to ensure that board members, system office staff, and university presidents are qualified to carry out their management responsibilities. Policies and procedures are critical for ensuring that activities and practices are consistently carried out in the best manner possible over time. Without them, the ULS cannot ensure that the board members, system office staff, and university presidents will be able to effectively and consistently carry out their functions.

Are criteria in place to ensure that qualified individuals are appointed to the Board of Supervisors?

Neither the state constitution nor state law provides specific direction on how ULS board members are to be selected or on how to ensure that they possess the qualifications necessary to carry out their responsibilities. In addition, neither Louisiana law nor the practices of the governor's office adhere to established best practices in the area of board member selection and appointment. As a result, there is no assurance that qualified persons will always be selected and appointed to serve on the ULS Board of Supervisors.

Article 8, Section 6 of the Louisiana Constitution of 1974 includes general provisions on how members of the state's boards of supervisors are to be selected. It requires representation on the ULS board from all of the state's congressional districts. It also requires senate consent for the governor's appointments to the board. However, neither the constitution nor any statutes provide additional direction on how to ensure that only qualified members are selected and appointed.

The Association of Governing Boards of Universities and Colleges recommends that governors create an advisory committee to recruit, screen, and recommend board candidates. The association says that the best advisory committees are guided by detailed, written qualifications. The state of Virginia (a member of the Southern Regional Education Board) has created an advisory committee to review and evaluate potential appointees to the governing bodies of Virginia's institutions of higher education. This purpose is in keeping with the principle that it is vitally important for members of higher education governing boards to be selected based on merit, experience, sound judgment, and proven leadership.

In contrast, Louisiana has no established criteria for the selection and appointment of members for the ULS Board of Supervisors. The process that would currently be used to select and appoint board members is as follows. The Governor's Office solicits nominations for the Board of Supervisors from legislators, schools, and organizations such as the Council for a Better Louisiana. The Governor's Office also receives unsolicited recommendations. The governor then selects potential board members based on the following considerations:

- Geographic representation
- Ethnic representation
- Gender representation
- Industry background
- Higher education background
- Management experience

Following the governor's selection, the Senate and Governmental Affairs Committee reviews the candidates and requests background checks on them by the Department of Revenue and the Department of Public Safety and Corrections. Nominees are seldom asked to testify before the committee. If no tax problems or criminal records are discovered during the background checks, committee and Senate approval are likely to be routine.

The following exhibits provide information on the educational and professional backgrounds of the current members of the ULS Board of Supervisors. Despite the lack of formal criteria for selection of board members, the current members appear to have a mix of management and leadership skills in a variety of areas. However, there is no assurance that well qualified individuals will be appointed by future governors.

Exhibit 6 Members of ULS Board of Supervisors Highest Education Level Achieved	
Education Level	Number of Board Members
University Student	1
Some College	2
Bachelor's Degree	4
Master's Degree	4
Juris Doctorate	4
Doctorate	1
Total	16
Source: Prepared by legislative auditor's staff using information obtained from ULS.	

Exhibit 7 Members of ULS Board of Supervisors Professional Backgrounds	
Profession	Number of Board Members
University Student	1
Legislative Consultant	1
University Professor/Teacher	1
Parish School Board/Professor/Teacher	1
Parish Teacher/Union President	1
Attorney	3
Business	8*
Total	16
*Note: Two of these board members have prior backgrounds in education professions. Source: Prepared by legislative auditor's staff using information obtained from ULS.	

According to the Commissioner of Higher Education, in 1996 he recommended that the governor establish a merit selection process for board members. He said that merit selection would de-politicize the appointment process. According to the commissioner, the governor did not want to give up his appointment authority. However, even if Louisiana's current governor makes favorable appointments to the board, there is no assurance that future governors will. Establishing criteria to use in the appointment process would help ensure that quality candidates are consistently appointed to the board. The criteria used in Virginia, which stipulate that board members are to be selected based on merit and experience, are an example of how this could be done.

Matter for Legislative Consideration 1: The legislature may wish to consider establishing an advisory commission within the Board of Regents to screen and select potential nominees to Louisiana's higher education governing boards. This commission could also establish specific criteria regarding the qualifications of nominees. Virginia's criteria that require candidates for higher education boards to be selected based on merit and experience could be used as a model. The commission may also wish to include in the criteria considerations used by the current governor, as well.

Do requirements exist for board member orientation, training, and participation?

The ULS lacks specific, detailed requirements governing orientation, training, and participation for members of the Board of Supervisors. Few provisions governing these issues are included in Louisiana's statutes or in ULS bylaws or policies and procedures. In addition, ULS has not implemented many of the related best practices that are recommended by experts and used in other Southern Regional Education Board (SREB) states. As a result, the board members may not be fully equipped with the knowledge they need to carry out their management responsibilities, which could weaken the effectiveness of the management of the system.

Orientation and Training Could Be Improved

There are no provisions in state law or ULS bylaws or policies and procedures and few provisions in ULS practices requiring orientation and training. ULS board members noted an increase in the amount of orientation and training they have received under the new system president.¹ However, orientation and training requirements could be improved.

The Association of Governing Boards of Universities and Colleges says that governors can strengthen higher education governance by promoting board orientation and education programs at both the institutional and state level. The association further states that such programs should bring together regents and trustees to discuss their basic responsibilities and to attain a full understanding of state level issues and funding priorities. Several other states have implemented orientation and training programs for their higher education boards. Kentucky provides training programs through its Institute for Effective Governance. Kentucky's programs include an annual conference dealing with areas such as board self-assessment, board-president relationships, and board decision-making. Oklahoma law requires higher education board members to complete 15 hours of continuing education within two years of taking office. The continuing education requirement consists of orientation, core programs, and higher education issues. Texas requires members of its higher education boards to attend at least one training program during their first two years of service. The training program focuses on the official role and duties of board members and provides training in budgeting, policy development, and governance.

In contrast, the ULS provides two to four hours of formal orientation for its new board members. During this orientation session, the new members receive copies of an orientation manual and then meet with ULS system office president and staff. The staff reviews the orientation manual with the new members and explains the functions of the ULS and the role of the board members. The ULS has no other formal practices relating to board member orientation. ULS staff informed us that they are attempting to increase informal orientation.

In addition to the lack of formal orientation, board members receive little formal on-going training. According to board members we interviewed, they sometimes receive training sessions consisting of presentations before or after board meetings. In addition, they sometimes visit campuses as a means of training. Beyond these occurrences, little other formal on-going training is provided to the board.

Matter for Legislative Consideration 2: The legislature may wish to consider passing legislation that establishes specific, detailed orientation and training requirements for appointees to the ULS Board of Supervisors. In doing so, the legislature may wish to expand the amount of orientation and specify certain course requirements for orientation and training such as budgeting, policy development, and higher education governance.

¹ Dr. Sally Clausen became president of the University of Louisiana System on July 1, 2001.

Recommendation 5: The ULS Board of Supervisors should adopt as part of its bylaws or policies and procedures a specific staff responsibility to provide formal education and training to the members of the Board of Supervisors and to ULS university administrators. Using Texas as a model, the training program could focus on the official role and duties of board members and could provide training in budgeting, policy development, and governance.

Summary of ULS Response: The ULS agrees with this recommendation. The staff will propose a policies and procedures memorandum that delineates staff responsibilities for formal education and training of board members. *(See Appendix C for full text of ULS response.)*

Recommendation 6: After the ULS Board of Supervisors adopts a formal education and training policy, the system office should update the position descriptions of appropriate staff to provide clear responsibility for implementing education and training programs for the board members and university administrators.

Summary of ULS Response: The ULS agrees with this recommendation. Job descriptions will be updated as appropriate and will include any responsibilities for implementing education and training programs for the board. *(See Appendix C for full text of ULS response.)*

ULS Reduced Attendance Requirements for Board Members

In comparison to some other SREB states, the ULS is deficient in the area of participation requirements for board members. In Mississippi, higher education boards are required to periodically visit all institutions of higher learning under their jurisdiction. They must also inspect the buildings and equipment, become informed with general business administration and instructional programs, and meet with the personnel of the institutions. Members of the Texas State University System Board of Regents are required by law to visit each university under their control at least annually to inspect the university's work and gather information. Each local committee of the board must meet at least annually at the institution for which it is responsible to confer with the institution's officials and carefully examine all phases of the institution's operations.

We identified no statutes in Louisiana that require any level of participation by higher education board members or means of providing sanctions to be applied in cases of unsatisfactory participation. Also, the ULS has actually reduced the attendance requirements for board members in its bylaws. On April 26, 2002, the Board of Supervisors revised the bylaws. Before the revision, the bylaws contained a provision stating that board members with three or more unexcused absences from regular meetings during a calendar year would be asked to resign. In the revision, this provision was removed. It was replaced by a general statement declaring that board members have a responsibility to attend regular meetings. Thus, the bylaws no longer contain any sanctions for board members with multiple unexcused absences.

Matter for Legislative Consideration 3: The legislature may wish to consider adopting legislation that either stipulates participation requirements for board members and sanctions for unsatisfactory participation or requires the ULS Board of Supervisors to do so.

Recommendation 7: If the legislature requires the ULS Board of Supervisors to do as stated in Matter for Legislative Consideration 3, the ULS board should adopt bylaws or policies and procedures that contain clear and specific participation requirements and sanctions for unsatisfactory participation by the members of the Board of Supervisors.

Summary of ULS Response: The ULS partially agrees with this recommendation. Should participation requirements for board members with sanctions for unsatisfactory participation be specified in legislation, this will be indicated in the board's Bylaws. *(See Appendix C for full text of ULS response.)*

Do procedures used to hire and set salaries for system office staff and university presidents ensure that qualified people are hired and retained?

ULS hiring and salary-setting procedures do not ensure the hiring and retention of qualified system office staff and university presidents. Current hiring and salary setting practices meet several of the best practices recommended by experts and carried out in other SREB states. However, the lack of formal policies and procedures makes it difficult to ensure that the most competent staff and presidents will always be hired and that the system will be able to retain them through competitive salaries.

System Lacks Formal Policies and Procedures for Hiring System Office Staff

The ULS has followed detailed practices for hiring system office staff. These practices meet several of the best practices recommended by the National Center for Higher Education Management Systems (NCHEMS) and used in other SREB states. These best practices include a national, state, or systemwide search process.

The ULS bylaws provide that the system president appoints system office staff, subject to board ratification. However, unlike NCHEMS recommendations and the procedures followed in states such as North Carolina and Oklahoma, the bylaws provide no further guidance for hiring system office staff.

Recommendation 8: The ULS Board of Supervisors should adopt bylaws or policies and procedures that provide specific procedures to be used in hiring system office staff and filling university president vacancies. These procedures could require a national search and should provide for the use of national search firms and professional consultants, as appropriate.

Summary of ULS Response: The ULS partially agrees with this recommendation. Current practices used to hire system office staff will be described in a policies and procedures memorandum. The system will include, in a policies and procedures memorandum, certain features deemed appropriate and desirable to guide the board in searches for university presidents. *(See Appendix C for full text of ULS response.)*

ULS Has Little Guidance on Procedures for Appointing University Presidents

Louisiana statutes and the ULS bylaws or policies and procedures also provide little specific guidance regarding the procedures to be followed in appointing university presidents. This lack of specific guidance contrasts with the definite recommendations provided by higher education experts and the specific procedures implemented in other SREB states. Lack of effective guidance in the appointment of university presidents could impair the ULS efforts to appoint the most qualified presidents. It could also undermine the ULS efforts to provide long-term effective management of the universities in the system.

R.S. 17:3303(A) and (B)(1) provide that management boards appoint the head of each institution, subject to Board of Regents approval. ULS policies and procedures require university presidents to be appointed through the establishment of a presidential search committee, but they do not provide for specific search procedures. Instead, the search committee designates the search procedures it will use. Louisiana lacks any other specific, documented procedures related to the appointment of ULS university presidents.

In 2001, the ULS conducted a search to fill the position of president of the University of Louisiana at Monroe. It appears that the system made an effort to establish specific qualifications for applicants and to carry out a national search, which exceeded any requirements established in law or provided for in ULS bylaws or policies and procedures. In contrast, the NCHEMS and Georgia provide specific criteria for the appointment of university presidents. Since ULS practices are not documented in formal bylaws or policies and procedures, there is no assurance that they will always be used.

Recommendation 8: The ULS Board of Supervisors should adopt bylaws or policies and procedures that provide specific procedures to be used in hiring system office staff and filling university president vacancies. These procedures could require a national search and should provide for the use of national search firms and professional consultants, as appropriate.

Summary of ULS Response: The ULS partially agrees with this recommendation.

Current practices used to hire system office staff will be described in a policies and procedures memorandum. The system will include, in a policies and procedures memorandum, certain features deemed appropriate and desirable to guide the board in searches for university presidents. *(See Appendix C for full text of ULS response.)*

Lack of Clear Guidance on Setting Salaries Could Hamper System's Efforts to Recruit and Retain Qualified Staff and University Presidents

ULS salary setting practices and Board of Regents policy are similar in many ways to recommendations from experts and procedures used in other SREB states. However, lack of clarity in the Board of Regents policy regarding the populations covered by the policy could present an obstacle to hiring and retaining quality staff and presidents. This lack of clarity can negatively impact the ULS efforts to fulfill its long-term management responsibilities.

The Board of Regents Administrative Salary Policy sets guidelines for determining higher education salaries. However, the policy is unclear on who is covered by the policy. According to the Commissioner of Higher Education, it applies to both system office staff and university presidents. However, the policy does not state explicitly that it applies to both groups. Without such a statement, the policy provides uncertain direction to the ULS for setting staff and university president salaries.

Recommendation 9: The ULS Board of Supervisors should adopt clear and specific bylaws or policies and procedures to be used in setting and adjusting salaries for system office staff and university presidents. The new bylaws or policies and procedures should include criteria to be used in determining and adjusting salaries and should include provisions on how the Board of Regents Administrative Salary Policy should be used. Adopting bylaws or policies and procedures will help ensure that the salaries continue to be competitive with those for similar positions in other Southern Regional Education Board states, which, in turn, will help ensure that the system is able to retain qualified staff.

Summary of ULS Response: The ULS agrees with this recommendation. Adopting board approved policies and procedures would help ensure that salaries continue to be competitive. *(See Appendix C for full text of ULS response.)*

Recommendation 10: In order to provide clear guidance in the application of higher education salary-setting policy, the ULS should work with the Board of Regents to amend the Board of Regents Administrative Salary Policy to identify the populations covered by that policy. According to the Commissioner of Higher Education, the policy applies to system office staff and university presidents.

Summary of ULS Response: The ULS agrees with this recommendation. The staff will work closely with the Commissioner of Higher Education and his staff to amend or clarify the policy. *(See Appendix C for full text of ULS response.)*

Do services provided by the system office staff fully ensure that the ULS Board of Supervisors and university administrators can fulfill their management responsibilities?

The services provided by the system office staff may not fully ensure that board members and university administrators can effectively fulfill their management responsibilities because the staff does not specifically include training and education among the services it provides.

Are board members and university administrators satisfied with the services they receive?

The Board of Supervisors and university administrators said that they are generally satisfied with the services the staff provides. However, they cited several deficiencies. The lack of a clear responsibility to provide education and training programs and the deficiencies in current service provision lessen the ability of the board and university administrators to fully meet their management responsibilities. They could also negatively impact the achievement of some of the ULS goals.

Services Provided Do Not Specifically Include Training and Education

Except for the provisions relating to a brief orientation session for new board members, the ULS system office staff does not specifically include training for the Board of Supervisors and university administrators among the services it provides. According to ULS bylaws, ULS policies and procedures, and staff interviews we conducted, the ULS staff provides the following services to board members and ULS administrators.

Exhibit 8 ULS Staff Services	
<ul style="list-style-type: none"> • Developing and assisting in the development of Board of Supervisors policy • Disseminating higher education information and information on Board of Regents policy • Directing, supervising, planning, and coordinating the system internal audit function • Dealing with legal issues • Providing research • Assisting in searches to fill vacancies in university presidencies • Developing long-range plans for academic programs and technology • Reviewing contracts and leases between system institutions and other state agencies, external entities, corporations, or individuals • Monitoring and ensuring compliance with Board of Regents policies, state and national laws, and policies and standards • Analyzing institutional personnel actions • Reviewing, commenting on, and approving university capital budgets 	
Source: Prepared by legislative auditor's staff from information obtained from ULS.	

As can be seen from the exhibit, with the exception of the brief orientation session for new board members, education and training are not specifically included among the services the staff provides. The Association of Governing Boards of Universities and Colleges recommends promoting board education programs, both at the institutional and state level. In addition, higher education board staff in Texas provide training services to governing boards and higher education institutions. Those training services include organization and governance of higher education, the higher education plan, and formula funding.

ULS board members told us that the current system president has expanded the amount of training available to them. They now have occasional presentations before or after their board meetings and a retreat each year. However, education and training are still not specifically included among the services the system office provides.

Recommendation 5: The ULS Board of Supervisors should adopt as part of its bylaws or policies and procedures a specific staff responsibility to provide formal education and training to the members of the Board of Supervisors and to ULS university administrators. Using Texas as a model, the training program could focus on the official role and duties of board members and could provide training in budgeting, policy development, and governance.

Summary of ULS Response: The ULS agrees with this recommendation. The staff will propose a policies and procedures memorandum that delineates staff responsibilities for formal education and training of board members. *(See Appendix C for full text of ULS response.)*

Recommendation 6: After the ULS Board of Supervisors adopts a formal education and training policy, the system office should update the position descriptions of appropriate staff to provide clear responsibility for implementing education and training programs for the board members and university administrators.

Summary of ULS Response: The ULS agrees with this recommendation. Job descriptions will be updated as appropriate and will include any responsibilities for implementing education and training programs for the board. *(See Appendix C for full text of ULS response.)*

Despite a High Level of Satisfaction With Most Services Provided, Board Members and University Administrators Identified Several Deficiencies

All (100%) of the board members responding to our survey said that they were “Very Satisfied” with existing staff services. University administrators at all of the eight universities within the system said they were either “Satisfied” or “Very Satisfied” with the services provided in five of eight functional areas. However, some board members and university administrators did cite certain deficiencies with the services provided to them by the system office staff.

Board members cited the following areas where services could be improved:

- Orientation and training of board members
- Training for system office staff
- Investigation and analysis of data
- Use of best practices

University administrators cited the following areas where services could be improved:

- Recognizing clear signs that a university is headed toward financial problems and making corrections early

- Conducting academic reviews to ensure the most appropriate use of state resources
- Coordinating capital outlay projects and monitoring those projects
- Facilitating universities' efforts to obtain external funds for academic research and support
- Maintaining an accurate and timely system Web site
- Providing an independent and objective internal audit function
- Establishing standardized data reporting practices

Service deficiencies such as these can impair the ability of the board and the universities to fulfill their management duties effectively, which could negatively impact the achievement of the ULS mission and goals. It could also serve as an obstacle to meeting the needs of the students at the ULS institutions.

Recommendation 11: The ULS system office staff should address the deficiencies in service provision cited by board members in our surveys. The staff should also make a continuing effort to periodically measure their customers' satisfaction with the services they provide to them and make appropriate adjustments as necessary.

Summary of ULS Response: The ULS agrees with this recommendation. Staff will continue to work with board members to identify and correct deficiencies and will conduct periodic customer satisfaction surveys of the board. *(See Appendix C for full text of ULS response.)*

Financial Condition and Stability of Universities

What procedures exist to ensure that the ULS Board of Supervisors and system office staff are fully informed about the financial stability and condition of the universities within the system?

The ULS has not fully developed formal bylaws or policies and procedures that would ensure that the Board of Supervisors and system office staff are fully informed about the financial stability and condition of the universities within the system. For example, the system office does not have a formal process to ensure that the universities submit all required financial reports. In addition, little specific guidance exists in state law.

Furthermore, the system-wide internal audit function is underutilized and does not ensure that university activities are adequate, effective, efficient, and functioning. Without specific guidance in the form of bylaws, policies and procedures, or laws to ensure the transmittal of critical information, the board and system office staff may not be able to identify all critical issues and deal with them before they become problems.

Deficiencies Exist in Reporting by Universities

We found that few formal bylaws or policies and procedures exist that give the universities specific direction on what data should be reported to the system office and how it should be reported. Current ULS policies and procedures list the types of reports the universities should submit to the system office. However, they offer few specific instructions and little further guidance. One provision dealing with uniform crime reporting does give more specific instruction. This provision could be used as a model for developing provisions in other areas that provide specific direction and guidance.

In addition, the statutory authority for Louisiana's higher education boards is weaker in certain areas than the authority exercised by similar boards in other states. For example, Kentucky and North Carolina have laws requiring the development of uniform reporting policies and practices for their state universities. We have no such law in Louisiana. Without comprehensive statutes and guidelines, the universities may not always report information to the board and system office in a consistent and complete manner.

Furthermore, a system official informed us that they do not have a formal process to ensure that all required reports are submitted to the system office. According to this individual, they do not have a formal process such as the use of a checklist to compare submitted reports against, although their informal practices are sufficient to ensure that all required reports are submitted. One provision of the ULS policies and procedures states that universities should submit to the system office "one copy of any financial report submitted to any state or federal agency." Without a formal process that is documented in bylaws or policies and procedures, there is no assurance that ULS staff will always collect all required reports from each university.

In addition, board members, university officials, and the system office staff cited various problems associated with reporting information to the Board of Supervisors and the system office. One board member said that critical information is not always reported to the system office. For example, \$2,000 was recently stolen from one of the universities, but the board and system office learned about it

through the press, not from the university. Another board member commented that, although too much information is better than too little, they sometimes get so much information there is not enough time to go through it all. Along these same lines, a university official stated that they must send 40 to 50 copies of all information requested by the board and system office for each board meeting. University officials also told us that they are often confused about exactly what is to be reported to the system office and how it is to be reported. As a result, the universities often submit reports with differing content and in various forms. The system's chief information officer stated that there are no established standards that specifically direct universities on how and what to report. The system president said that although the system office staff strives to eliminate confusion when requesting information from universities, it is still a problem and that requests for information need to be clearly defined.

These comments strongly suggest the need for more stringent reporting standards and guidelines. Formal reporting bylaws and/or policies and procedures would give specific direction to the universities on exactly what to report and when and how to report it. Uniform reporting of all critical and pertinent data would help enable the board and staff to better ensure that the universities within the system are on sound financial footing.

Matter for Legislative Consideration 4: The legislature may wish to consider passing legislation that establishes specific, detailed reporting requirements for higher education. The legislature may wish to specify that these requirements be uniform and apply to all institutions within the ULS.

Recommendation 12: The ULS Board of Supervisors and system office staff should adopt formal bylaws and/or policies and procedures on reporting requirements for the universities within the system. The system office should then work with the universities to ensure that they implement the newly adopted reporting requirements. The formal, written bylaws and/or policies and procedures should include the following:

- Clear definitions of what is to be included in financial reports
- Formatting guidelines and directives
- Reporting processes including to whom to report, schedules of deadlines, and dates of submittals
- Procedures, such as the use of a checklist, that would ensure that submittals are accurate and complete

Summary of ULS Response: **The ULS agrees with this recommendation.** Adopting formal policies and procedures to ensure complete and accurate submittals could strengthen the reporting process. *(See Appendix C for full text of ULS response.)*

Recommendation 13: Once formal, uniform reporting bylaws and/or policies and procedures are adopted, the ULS Board of Supervisors and system office staff should take steps to continually enforce the requirements at the universities. Some suggestions are to make frequent and regular visits to system universities, create better relationships with university officials through increased communication, and develop a checklist of scheduled financial data and internal audit reports to be submitted.

Summary of ULS Response: The ULS agrees with this recommendation. The system office staff will visit campuses more as limited resources permit and continue its efforts to improve relationships with university officials through better communication. In addition, the staff will strengthen submission checklists for audit and financial reports. *(See Appendix C for full text of ULS response.)*

Internal Audit Function Should Be Strengthened

Various problems with the internal audit function have weakened its effectiveness. This function is vital for ensuring that all critical situations, problems, and information are identified and conveyed to the board so that corrective action can be taken. If the current weaknesses in the internal audit function are not corrected and the board and system office do not use the information available to them through their internal auditor, they will miss vital opportunities to stay informed on the financial stability and condition of the universities within the system.

Identified Weaknesses of Internal Audit Function. The system's Internal Audit Charter provides a wealth of information designed to serve as an internal control over the financial stability and condition of the universities within the ULS. For instance, the charter requires the internal audit director to ensure that the work of the university internal auditors determines that all units and activities are adequate, effective, efficient, and functioning. It also says that the university auditors are to do the following:

- Determine the reliability and adequacy of the accounting, financial, and reporting systems
- Determine that university activities are in conformance with university policies and procedures, state and federal laws and regulations, contractual obligations, board rules and good business practice
- Determine the extent to which university assets are accounted for and safeguarded from losses and verify the existence of those assets
- Evaluate operational procedures to determine whether results are consistent with established objectives and goals and whether procedures are being carried out as planned
- Evaluate the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the system of internal control will be adequate, effective, and efficient

Monitoring these required activities through reports of the internal audit director would enable the system office and Board of Supervisors to better foresee if and when universities might be having difficulties. However, the director has not yet established a system-wide internal audit function, according to the director and the system president. The system president asked the director to focus on other areas instead. The director also has not developed a consolidated system-wide audit plan for the universities, as required by the Internal Audit Charter. The universities submit their proposed annual plans, which are subject to approval by the Board of Supervisors, to the system office, but the director said he provides little direction for the establishment of those plans.

Furthermore, the internal audit director stated that although he regularly attends Board of Supervisors meetings, he is not aware of any internal audit reports that have been presented to the board. After reviewing board agendas and minutes for the past two fiscal years, we found that internal audit issues were rarely discussed at the board meetings. The director stated that he wants to start reporting audit summaries to the president and ultimately to the board.

The board has a Finance and Audit Committee that is, according to the Internal Audit Charter, supposed to oversee the system-wide auditing function. However, this committee has not been as active as it should be in on-going monitoring of internal audit activities. The committee is to review and then present the system-wide audit plan to the Board of Supervisors for approval. The committee has not done so, partially because the director has not yet prepared a plan. The committee has approved a list of the individual audit plans of the universities, but the approval was cursory in nature and did not involve any detailed inquiry or discussion.

According to the Institute of Internal Auditors' (IIA) March 1999 *Tone at the Top* publication, an audit committee should exercise an active oversight role with respect to the internal audit function. Activities of the audit committee should include the following:

- Reviewing and approving the internal audit charter
- Concurring on the appointment or removal of the Director of Internal Audit
- Reviewing and pre-approving audit plans and budgets
- Reviewing audit results
- Requesting audit projects

According to the internal audit director, the activities of the board include the items listed above. However, we found no evidence that the board approved a system-wide audit plan or that the board regularly and thoroughly reviews and discusses internal audit reports or requests internal audit projects. In fact, in our review of board minutes for the past two fiscal years, we only found two mentions of the internal audit function. These two cases were when the board approved the university audit plans for Fiscal Years 2001 and 2002.

In addition, we found problems in the Internal Audit Charter dealing with the independence of the internal audit director. According to the IIA's *Standards for the Professional Practice of Internal Auditing*, the internal audit activity should be independent (i.e., free from interference) in determining the scope of internal auditing, performing work, and communicating results. To assure independence, the chief audit executive should report functionally to the Board of Directors, which, in this case, would be the ULS Board of Supervisors. It also says that the auditor should report administratively to the chief executive officer (in this case, the system president). However, the ULS Internal Audit Charter requires the internal audit director to report to the vice president of Finance and Administration and indirectly to the system president. The ULS has made changes to its organizational chart dealing with reporting relationships; however, the Internal Audit Charter has not been amended.

The IIA also recommends that the internal auditor meet privately at least once a year with the board or audit committee to help ensure his or her on-going independence; however, this does not occur, either. This flawed reporting relationship impedes the independence required for internal auditors to complete and report their work in an objective manner.

We also found that four of the eight universities in the system (50%) did not submit audit reports as required for at least one quarter in Fiscal Year 2001. Two universities (25%) did not submit audit reports as required for at least one quarter in Fiscal Year 2002. We found no explanation as to why these reports were not submitted. We also noted inconsistencies regarding the presentation and format of the audit reports submitted to the system office. For instance, some universities submitted lengthy detailed reports, while others submitted what appeared to be only summary reports. In addition, the ULS staff does not routinely check submitted audit reports against the universities' audit plans, and based on documents we reviewed, it appears that they do not maintain complete files of audit reports. Without this information, the ULS staff has no way of knowing whether the universities are conducting audits and projects according to their plans.

Another problem is that the work papers of university auditors are not confidential. According to the auditors, they can be required to divulge sensitive information before their audits are complete. Auditors generally do not want to report findings until they have completed all of their work and gathered all the facts. To prevent this from happening, R.S. 44:4 (6) provides that the work papers of the legislative auditor are exempted from the Public Records Law. This statute also provides that the work papers of internal auditors of municipalities are confidential until the completion of the audit. This statute does not cover the work papers of the ULS auditors. If their work papers are not confidential, university administrators and internal auditors may be inclined to limit the scope and depth of their audits to avoid the disclosure of information sources and audit findings that are only preliminary in nature.

Best Practices Dictate Full Reporting on Financial Condition and Stability of Universities.

Best practices emphasize the importance of keeping board members informed of the financial condition and stability of the institutions they manage. According to the Southern Association of Colleges and Schools (SACS) Accreditation Criteria, governing boards must have proper procedures in place to ensure they are adequately informed about the financial condition and stability of the institutions they manage. Also, according to the published report, *More Than Management* by E.K. Fretwell, Jr. of the University of North Carolina at Charlotte, board members need to keep up-to-date on potential problems as well as potential successes. This report says that institutional research offices on each campus can transmit such data to the central office and should avoid providing data of little practical value.

The February 2002 issue of the IIA's *Tone at the Top* publication says that the audit committee should receive reports directly from the auditors without management filtering. The March 2001 *Tone at the Top* publication offers a blueprint for an effective internal audit function. This blueprint appears below.

What Can Audit Committees Do to Establish Open-Door Reporting?

1. Ensure the organization has an adequately staffed, professional internal auditing function.
2. Review and approve the internal auditing charter.
3. Concur on the appointment or removal of the chief audit executive.
4. Exercise an active oversight role with respect to the internal audit function.
5. Regularly review the independence and objectivity of the internal auditing process to confirm its compliance with the IIA's Standards.
6. Review and pre-approve audit plans and budgets.
7. Evaluate audit results.
8. Assess the extent to which audit plans were actually executed and question significant deviations or gaps.
9. Review the status of past internal audit findings-determining whether management has taken corrective action on significant recommendations and whether the changes instituted are effective.
10. Request audit projects.
11. Establish formal mechanisms to facilitate confidential exchanges between the internal auditor and the audit committee.
12. Recommend the internal audit process undergoes an external quality assurance review.

Source: Prepared by the legislative auditor's staff using information obtained from the IIA *Tone at the Top* publication dated March 2001.

It should be noted that the system office has taken steps to improve the internal audit function. For instance, the system's internal audit director recently initiated quarterly meetings of the university internal audit directors. These meetings will be used to discuss system-wide audit issues. They will also help ensure stronger coordination among the university audit directors. However, more improvements are needed to further strengthen this important management control. The internal audit director said that the system office supports improvements to further strengthen this important management control.

Matter for Legislative Consideration 5: The legislature may wish to consider passing legislation that provides for the confidentiality of university internal audit work papers and works in progress. The legislature may wish to consider the provisions of R.S. 44:4 when addressing this issue.

Recommendation 14: The ULS Board of Supervisors should strengthen the importance it has placed on the internal audit function by taking a more active role in monitoring internal audit activities. The board should accomplish this by either using the existing Finance and Audit Committee or creating a separate Audit Committee to serve as a vehicle for implementing this important management control. This committee should regularly hear reports and testimony from the Director of Internal Audit and report to the Board of Supervisors on its actions. The Board of Supervisors should take corrective action, when appropriate, in response to internal audit findings and testimony.

Summary of ULS Response: The ULS agrees with this recommendation. In November 2001, the System employed a new director of internal audit and he has taken steps to strengthen the internal audit function. The director will have the responsibility to ensure that all critical situations, problems, and information are identified and conveyed to the Board of Supervisors so that corrective action can be taken. *(See Appendix C for full text of ULS response.)*

Recommendation 15: The ULS internal audit director should prepare and coordinate a system-wide internal audit plan and ensure that the universities within the system follow it. To help accomplish this, he should discuss areas of mutual concern and potential risk areas with the university auditors and then create an audit guide to be used by all ULS internal audit staff.

Summary of ULS Response: The ULS partially agrees with this recommendation. The director currently prepares a system-wide audit plan. The plan includes specific audits to be completed by the system director, common audits to be completed by all universities, and audits necessitated because of unique requests from individual universities. The Finance and Audit Committee reviews and, if necessary, revises the plan and presents it to the board for approval. The system office will place more emphasis on monitoring the plan to make sure that universities follow it. The internal audit director will assist the university internal auditors in creating audit guides. *(See Appendix C for full text of ULS response.)*

Legislative Auditor's Additional Comments: During our fieldwork, we were unable to identify the existence of a formal written system-wide audit plan. In addition, when we interviewed the system audit director, he informed us that a system-wide audit plan had not been developed and implemented. We discussed this issue with ULS system office staff at the exit conference and concluded that they do not have a formal written document that will suffice. They did inform us that they have started doing more in terms of audit planning since we interviewed the director. We informed the staff members at the exit conference that they may want to use audit planning tools such as those used by divisions of the Legislative Auditor's Office.

Recommendation 16: The ULS system president should ensure that the internal audit director is scheduled on the agendas of the audit committee and Board of Supervisors meetings.

Summary of ULS Response: The ULS agrees with this recommendation. The internal audit director will attend and participate in meetings of the audit committee and board when they pertain to oversight, auditing, reporting, organizational governance, and control. *(See Appendix C for full text of ULS response.)*

Recommendation 17: The ULS Board of Supervisors and system president should ensure that the Internal Audit Charter is amended to require the internal audit director to functionally report to the Board of Supervisors and administratively report to the system president.

Summary of ULS Response: The ULS agrees with this recommendation. The system office will amend its audit charter to reflect the internal audit director reporting administratively to the system president and functionally to the board. *(See Appendix C for full text of ULS response.)*

Recommendation 18: The ULS internal audit director should meet privately with the Board of Supervisors at least once a year to help maintain his independence.

Summary of ULS Response: The ULS agrees with this recommendation. The internal audit director will meet privately with the board at least once a year and will have direct communication with the board. *(See Appendix C for full text of ULS response.)*

Recommendation 19: The ULS internal audit director should implement the following:

- Procedures to ensure that all universities within the system submit all required internal audit reports. These procedures may consist of creating a checklist of all reports that are due from each university throughout the year and then checking off the individual reports as they are received.
- Report presentation and formatting requirements for the universities to use when preparing and submitting internal audit reports.
- Procedures to check the internal audit reports submitted by the universities against the universities' audit plans to ensure that they are completing all audits and projects included in the plan.
- A filing system that will ensure that all internal audit reports completed by the universities are on file in the system office.

Summary of ULS Response: The ULS agrees with this recommendation. The internal audit director will use the system-wide audit plan as a checklist to ensure that all reports are received from each university. If the plan is not being followed, the director will provide explanation to the system president. In addition, the internal audit director will work with ULS university internal auditors to develop report presentation and formatting requirements for internal audit reports. The system office will also keep university audit reports and summaries of audits prepared for the board on file. *(See Appendix C for full text of ULS response.)*

Recommendation 20: The ULS system office should review the provisions of R.S. 44:4 and consult with the internal audit director and his university counterparts to identify the authority needed to ensure internal audit confidentiality. If the system office feels that legislation is needed to provide for confidentiality of internal audit work papers and works in progress, it should work with the appropriate legislative staff to have a bill drafted and introduced at the next appropriate legislative session.

Summary of ULS Response: The ULS agrees with this recommendation. The internal audit directors for the ULS, Louisiana Community and Technical College System, the Southern University System, and the LSU System are currently working together and with the Board of Regents staff to draft legislation and will introduce it at the next session of the Legislature. *(See Appendix C for full text of ULS response.)*

Recommendation 21: The ULS system office should use recommendations, strategies, and standards from outside sources such as the Institute of Internal Auditors and professional audit experts when implementing steps to improve the internal audit function.

Summary of ULS Response: The ULS agrees with this recommendation. The ULS has begun using information from the following sources to improve the internal audit function:

- Performance Audit by the Office of Legislative Auditor
- Institute of Internal Auditors (IIA)
- State and National Associations of College and University Auditors
- ULS internal audit offices

(See Appendix C for full text of ULS response.)

Purchasing Strategies Considered to Reduce Costs

Could the ULS Board of Supervisors and system office staff coordinate and implement purchasing strategies to reduce costs?

The ULS could reduce costs if it implemented and coordinated purchasing strategies throughout the universities within the system. The ULS board members and the system office staff have been exploring ways to reduce costs through the Ad-Hoc Purchasing Committee of the board. However, besides helping to get the non-competitive bid limit raised, the ULS has not yet implemented many of the strategies the committee has studied. Professional organizations and other states suggest several ways to reduce costs, including cooperative procurement. If the ULS does not move forward and implement cooperative procurement and other cost savings strategies, opportunities to save money on purchasing transactions will be lost.

Cost Reduction Considerations

A ULS staff member identified three main ideas with the potential to realize significant economies: personnel, utilities, and information technology. The ULS Vice President of Finance and Administration said that the system's annual budgets for these items exceed \$364 million. He estimated that \$8.8 million per year could be saved by improving operating efficiencies and increasing employee productivity; reducing consumption and utility rates; and reducing information technology costs for hardware, software licenses, maintenance, and other associated costs. Through the Ad-Hoc Purchasing Committee, the board and system office staff have explored various options to reduce purchasing costs throughout the system. However, few have been implemented. As a result, cost savings have not yet been realized.

The Ad-Hoc Purchasing Committee's long-range goal is to create a culture within the system whereby the purchasing of high volume, high dollar goods and services are coordinated as a matter of second nature instead of being managed by the board or a board committee. Forming this committee was a positive step. The primary areas the board and staff have considered are as follows:

- Equipment Maintenance
- Utilities and Gas
- Technology
- Outsourcing Contracts
- Administrative Processes

The board and staff have considered contracting with insurance companies for equipment maintenance. Under this type of arrangement, an insurance company would manage the repair service process for equipment at each individual university. The staff has also created a summary of each university's utility and gas costs for the last two fiscal years and met with the Public Service Commission to discuss possible options for the universities to save money on utility costs. Also, the board has considered negotiating for better-priced electricity contracts and using a bid process to

contract with different gas suppliers and constructing pipelines on campuses to have gas delivered directly.

In addition, the system's chief information officer is considering implementing e-commerce to gain efficiencies through the use of technology. E-commerce could result in substantial cost savings related to purchasing. The system office is also considering negotiations for campus-wide licensing agreements for software, which would minimize the number of purchasing orders the system produces. The chief information officer is considering ways to reduce paper handling and increase automation such as having the universities send documents electronically or on CD-ROMS to the system office.

The system is also looking into combining all eight campuses under one outsourcing contract for services such as soft drink supply, food services, and bookstores. In addition, the system office staff is reviewing current administrative processes associated with purchasing. For instance, a system official said that money could be saved if the non-competitive bid limit were raised because 75% of the system's purchasing is for low-cost items. In an article titled "A Model Purchasing Department for Creating High Customer Satisfaction," Richard L. Mooney suggests that Louisiana's non-competitive bid limit is at a 1960's level. Exhibit 9 shows Louisiana's bid limit compared to other SREB states' bid limit.

Exhibit 9	
SREB Universities' Non-Competitive Bid Limits	
Institution	Non-Competitive Bid Limit
University of Alabama	\$7,500
Texas A&M	\$5,000
University of Texas-Austin	\$5,000
North Carolina State University	\$5,000
University of Arkansas	\$5,000
Arkansas State University	\$5,000
University of Maryland	\$5,000
University of Virginia	\$5,000
University of Oklahoma	\$2,500
University of North Carolina - Chapel Hill	\$2,500
Auburn University	\$2,500
Virginia Polytechnic Institute and State University	\$2,000
University of Southern Mississippi	\$1,500
University of South Carolina	\$1,500
Oklahoma State University	\$1,499
University of Florida	\$1,000
Louisiana Schools	\$500 (or \$1,000 with the LaCarte Purchasing Card)
Source: Prepared by legislative auditor's staff using information obtained from the SREB, Board of Regents, and Louisiana Tech University.	

As stated, although the ULS has studied and considered all of these cost-saving options, little action has been taken to implement them, and no cost savings have been realized. One reason for the lack of action may be that the ULS has a small staff as compared to other higher education systems in the state and may not be as responsive as it would like to be. Exhibit 10 shows that the ULS staff is smaller than both the Louisiana State University System and Southern University System in relation to the number of students and universities it manages.

Exhibit 10 Staffing Statistics ULS Compared to Other Systems			
System Name	Number of Universities in System	Number of Students in System	Number of Staff Members in System Office
University of Louisiana	8	78,371	21
Louisiana State University	7	61,421	21
Southern University	3	14,281	19
Source: Prepared by legislative auditor's staff using information obtained from the Board of Regents and the 2002-2003 Executive Budget Request.			

Another reason that purchasing cost reductions have not yet been achieved is that the system office staff has not ensured effective coordination and communication between university purchasing officials and the system office. Clear and frequent communication is necessary to determine where costs can be cut and how to implement cost-cutting strategies. In addition, the work demands associated with problematic universities may have also contributed to the lack of action taken in reducing purchasing costs.

When identifying cost-savings strategies to implement, the ULS board and system office staff should consider suggestions and input from various experts. For instance, NASPO and other sources stress the need for coordination, cooperation, and communication. NASPO also suggests pooling of resources and cooperative procurement. Energy consultants we interviewed suggested that significant savings associated with long-term contracts for the purchase of gas are possible and that the universities within the ULS are well suited to purchase their own gas by combining their purchasing power. They also suggested negotiating electricity contracts for better pricing. NASPO further suggests that a well-prepared procurement manual can provide guidance and information and that education and training of purchasing participants are necessary. Finally, NASPO implies that a strong upper management commitment of resources and an acceptance of technology are necessary for success to occur.

Recommendation 22: The ULS Board of Supervisors and system office staff should develop action plans and begin to actively implement cost savings measures approved by the Ad-Hoc Purchasing Committee. In addition, the committee should continue to explore other cost-savings measures. These two things should be done in coordination with university purchasing officials.

Summary of ULS Response: The ULS agrees with this recommendation. The ULS established the Board of Supervisor's Ad Hoc Committee on System-wide Purchasing in March of 2002. As a result of the committee's work, steps will be taken to fully implement cooperative procurement in coordination with university purchasing officials. *(See Appendix C for full text of ULS response.)*

Recommendation 23: The ULS Board of Supervisors and system office staff should analyze each campus individually regarding ways to save on utility costs. In order to identify and implement feasible strategies, they should:

- Talk to pipeline safety experts
- Determine how universities should be pulled together to provide the most effective and powerful negotiating advantage for the system
- Employ or consult with a purchasing expert or designate a team with purchasing expertise
- Set up a system to continuously evaluate cost-savings strategies

Summary of ULS Response: The ULS agrees with this recommendation. The Ad Hoc Committee on System-wide Purchasing discussed protecting the universities from rising natural gas and power prices as their first order of business. The system office will need the assistance of an "expert" to identify opportunities for economies and has recently begun negotiations with an energy management consultant. *(See Appendix C for full text of ULS response.)*

Recommendation 24: The ULS Board of Supervisors and system office staff, through the Ad-Hoc Purchasing Committee, should continue working with the Division of Administration, legislative staff, and the Office of State Purchasing to make needed changes in state purchasing rules and policies, including further increasing the non-competitive bid limit for higher education.

Summary of ULS Response: The ULS agrees with this recommendation. The system office is surveying its eight institutions regarding the number and dollar volume of purchase orders by category and the estimated cost to process a purchase order. This is being done to facilitate the further increase of the non-competitive bid limit. *(See Appendix C for full text of ULS response.)*

Recommendation 25: The ULS Board of Supervisors and system office staff should improve coordination and communication between the system office and the university purchasing officials as they pertain to purchasing issues. One way to accomplish this is to institute regular meetings between university purchasing officials and system office staff to share information about cost-saving strategies, obstacles, and benefits. For this initiative to be effective, the board and staff must take the lead to coordinate information-sharing forums among the institutions. From these meetings, task forces could be formed to implement the various cost-savings measures they decide upon.

Summary of ULS Response: The ULS agrees with this recommendation. The ULS will take the lead in coordinating information sharing about cost-saving strategies, obstacles and benefits. The university chief procurement officers will periodically be included in Ad Hoc committee meetings to obtain their ideas and feedback. *(See Appendix C for full text of ULS response.)*

Recommendation 26: In order to free staff resources to focus on purchasing strategies, the ULS system office staff should conduct a staff utilization study to determine how to best allocate current staff to help manage the institutions within the system. The study should address whether current tasks are necessary, how the use of technology can improve staffing needs, and whether current job descriptions should be modified. This study will enable board members and system administrators to more effectively manage staff in dealing with issues such as cost-saving purchasing strategies.

Summary of ULS Response: The ULS agrees with this recommendation. The system office is currently undergoing a staff utilization study by an independent consultant. *(See Appendix C for full text of ULS response.)*

Recommendation 27: The ULS Board of Supervisors and system office staff should work with university purchasing officials to develop a manual containing best practices for purchasing. Best practices can come from suggestions and input obtained from the university purchasing officials, systems in other states, and experts in the field. The manual could also contain the state purchasing regulations, possibly categorized by type of item purchased, so that purchasing staff would have all pertinent purchasing information in one easy-to-use reference source. The staff should distribute the manual to purchasing officials at each university within the system and hold periodic training sessions with them to review it.

Summary of ULS Response: The ULS agrees with this recommendation. System staff will work with university purchasing officials to create an easy-to-use reference source and will provide training on best practices. *(See Appendix C for full text of ULS response.)*

Accessibility of Data

Could the ULS Board of Supervisors and system office staff coordinate activities to improve the accessibility of information for the board, its staff, and the universities within the system?

The use of technology would allow the system office to better coordinate activities, resulting in increased accessibility of data for the Board of Supervisors, its staff, and the universities within the system. Currently, the ULS has no centralized system for gathering and accessing data from universities. Best practices suggest that critical information should be easily accessible and understandable. In addition, the system's president and chief information officer (CIO) stated that a centralized database is a necessity. Because of the lack of technology in this area, neither the members of the Board of Supervisors, the system office staff, nor the universities within the system have timely access to critical data. In addition, the board, staff, and university officials waste time and staff resources when reporting, gathering, and accessing data. Overall, this lack of data accessibility impedes the system office's ability to identify problem trends and address them in a timely manner.

ULS Has No Centralized Database

ULS has no centralized database where common data from all universities can be collected. According to system office staff, the universities deliver data to the system office through three basic means: hard copy documentation, electronic transfer, and telephone. The system president estimated that her staff spends 20% to 40% of their time compiling these data and then creating common places such as spreadsheets in which to store them. According to the president, the time spent doing these tasks could be used more efficiently.

In addition, board members cannot access certain information electronically. The information that is accessible, such as budget and program information, has to be accessed on the university Web sites. According to ULS officials, a centralized database could offer board members more opportunities to access and analyze important data they need to make sound management decisions.

According to the system president and university officials, the types of data that could be collected and maintained in a centralized database include the following:

- Comprehensive personnel data
- Purchasing data
- Facilities data
- Asset management and inventory data
- Financial data

University administrators and the system's CIO said that the universities in the system are periodically faced with multiple requests for the same information from different agencies. This situation results in redundancy of effort. In addition, the information universities provide to the system office may be in a format other than the one requested. According to the CIO, creating a database that contains raw data would make it possible for the system office staff to extract data in whatever format is needed at any particular time. It could also assist university officials, members of the Board of Supervisors, and other entities to extract data in a timely manner and in the format they need.

The CIO stated that current technologies make it possible for the ULS to have common repositories of data available on demand and in the format needed. He said that they would also allow the ULS to create areas where files are stored for common use. For example, some documents such as quarterly budgets must be worked on at the universities as well as the system office. Providing for common storage and giving access for modifications could save time in sending documents back and forth, as well as in making manual corrections to hard copies. System office staff also expressed a desire to simplify and expedite the dissemination and availability of information to board members, the press, and other external parties. All of these examples could save time that is currently spent on collecting and dispersing information using traditional paper-based methods as well as the cost of postage and paper.

Best practices dictate that easy access to critical data helps management address concerns and plan for future action. The University of North Carolina at Charlotte "More Than Management" report by E.K. Fretwell Jr. states that easy access to current data on enrollment, faculty load, budgets and the like can help chairs and system heads provide timely facts to counter false assertions and rumors. In addition, at a presentation we attended, Xerox consulting executives stressed that knowledge is necessary for decision-making, sharing of information is critical, and advancement of technology offers ways to do this. They also stressed that critical issues must be packaged in a way so that people can relate, respond, and react to them, which will ultimately reduce time and costs. Coordination is the key to implementing one system to be used by several entities. Other states have instituted the coordination, transferability, and connectivity of technology among post-secondary institutions. Institution of these things is needed at the ULS, as well.

The system office is taking steps to improve data accessibility within the system. The CIO is working with the Board of Regents staff and technology counterparts to identify best practices in centralized data collection, maintenance, and use. However, more work needs to be done in order for the ULS to fully realize benefits of having timely access to critical data.

Recommendation 28: The ULS system office staff should conduct a cost-benefit analysis to determine the amount of time, effort, and other associated costs involved in developing a centralized database and compare those costs to the benefits that would be derived. If the benefits outweigh the costs, the system president should move forward to implement the database.

Summary of ULS Response: **The ULS agrees with this recommendation.** The system office is in the process of developing a three-year strategic plan with the Board of Regents that will address the issue of developing or sharing a centralized database. (*See Appendix C for full text of ULS response.*)

Recommendation 29: The ULS Board of Supervisors and system office staff should work with the Board of Regents and other entities such as the Office of Facility Planning and Control and the Office of Planning and Budget to reduce or eliminate reporting redundancies by the universities. The system office staff can help accomplish this by communicating with and coordinating information requests with the Board of Regents.

Summary of ULS Response: The ULS agrees with this recommendation. The system office will work with the Board of Regents and other agencies to eliminate reporting redundancies. *(See Appendix C for full text of ULS response.)*

Appendix A

Audit Scope and Methodology

Appendix A: Audit Scope and Methodology

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We followed the applicable generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Preliminary work on this audit began in May 2002.

Scope

This audit focused on the management activities of the University of Louisiana (ULS) Board of Supervisors and system office staff. The audit covered fiscal years 2001 and 2002. Specifically, we addressed the following areas:

- Roles and functions of the board and system office staff
 - Satisfaction of universities with the services provided by the board and system office staff
 - Procedures for ensuring that board members, system office staff, and university presidents are qualified to manage and supervise
 - Procedures for ensuring that board members and system office staff are aware of the financial condition and stability of the universities they manage
 - Purchasing practices that could reduce costs
 - Accessibility of data for those within the system
-

Methodology

Roles and Functions of the ULS Board and System Office Staff

To determine what the mandated roles and functions of the Board of Supervisors and system office staff are, we completed the following procedures:

- Reviewed the state constitution and statutes
- Reviewed board and staff policies including bylaws, policies and procedures, and the systems' Policy and Procedures Memoranda
- Reviewed job descriptions of relevant staff members
- Compared board and staff policies and job descriptions to statutorily mandated roles and functions to determine if any inconsistencies exist

To determine what resources are used to carry out the roles and functions of the Board of Supervisors and its staff, we completed the following procedures:

- Analyzed the Fiscal Year 2003 Executive Budget Request and General Appropriations Act to determine trends in the number of authorized and actual positions
- Obtained system office staff salaries from ISIS-HR for the last pay period in 2001 and in May 2002 and compared them to salaries in other Southern Regional Education Board (SREB) states
- Searched the state's contract database for professional services, personal services, social services, and consulting contracts and summarized the contract amounts from July 1, 2000, to May 15, 2002
- Obtained annual salary expenditures for the system office staff and the Board of Supervisors' travel and per diem expenditures for Fiscal Year 2002 from system office staff
- Worked with the ULS system office staff to diagram the organizational structure of the ULS office

To determine what functions and duties the Board of Supervisors and system office staff actually perform, we completed the following procedures:

- Interviewed system office staff regarding actual performed job duties, functions, and roles
- Reviewed minutes for all board meetings from July 1, 2000, to May 15, 2002, and interviewed various board members to obtain their views on the board and staff's roles
- Attended one ULS Board of Supervisors meetings, eight Board of Supervisors committee meetings, three ULS council meetings, and one Board of Regents meeting to make observations

To determine how Louisiana's higher education governance structure compares to those in other SREB states, we completed the following procedures:

- Determined which SREB states have similar higher education governance structures by interviewing Board of Regents and other higher education administrators
- Obtained documents from those other states (Georgia, Kentucky, Oklahoma, North Carolina, and Texas) outlining their primary roles and functions
- Compared the functions of the boards in those states to the functions of the ULS Board of Supervisors
- Obtained best practices from relevant professional organizations related to governing and management boards and compared them to practices of the ULS Board of Supervisors

To determine how satisfied the universities within the system are with the services provided by the Board of Supervisors and system office staff, we performed the following procedures:

- Developed a survey instrument based on the staff job descriptions and interviews and sent it to administrators at all eight ULS universities
- Compiled and analyzed the responses to determine what the universities see as the staffs' roles and functions and how well they perceive the staff as performing those roles and functions

Qualifications of Board Members, System Office Staff, and University Presidents

To determine the procedures in place to ensure that the ULS Board of Supervisors, system office staff, and university presidents are qualified to carry out their management responsibilities and how they compare to other established and recommended procedures, we completed the following:

Appointment of Board Members

- Obtained information from other SREB states, professional organizations, and experts in the field that identify best practices for appointing board members
- Reviewed statutes, ULS bylaws, and ULS policies and procedures to determine how members of the Board of Supervisors are chosen for appointment
- Interviewed board members, Governor's Office staff, and Senate staff to determine the process used to appoint individuals to the board
- Identified internal weaknesses by comparing best practices to statutes, ULS internal rules, and interview responses

Board Member Orientation, Training, and Participation

- Obtained information from other SREB states, professional organizations, and experts in the field that identify best practices relating to board member orientation, training, and participation
- Reviewed statutes, ULS bylaws, and ULS policies and procedures to identify requirements for orientation, training, and participation
- Interviewed board members and staff to determine what orientation and training they receive
- Identified internal weaknesses by comparing best practices to statutes, ULS internal rules, and interview responses

Hiring of System Office Staff and University Presidents

- Obtained information from other SREB states, professional organizations, and experts in the field that identify best practices for hiring system staff and university presidents and also obtained procedures for setting and approval of salaries
- Reviewed statutes, ULS bylaws, and ULS policies and procedures to determine how the system office staff and university presidents are hired and how their salaries are set and approved
- Interviewed relevant system office staff to document how they and university presidents are hired and how their salaries are set and approved
- Identified internal weaknesses by comparing best practices to statutes, ULS internal rules, and interview responses
- Obtained system office staff salaries from ISIS-HR and university presidents' salaries from the universities and compared them to salaries for system office staff and university presidents in other SREB states

Board Satisfaction With Staff Services

- Obtained information from other SREB states, professional organizations, and experts in the field that identifies support services that system office staff should provide to board members and campus administrators for the operation of a successful system and compared them to services provided by the ULS staff
- Developed and administered a survey that obtained the satisfaction ratings of Board of Supervisors' members on the services provided by the system office staff and compiled and analyzed the results

Financial Condition and Stability of Universities

To determine what procedures exist to ensure that the Board of Supervisors and system office staff are fully informed of the financial stability and condition of the universities within the system, we performed the following procedures:

- Obtained information from other SREB states, professional organizations, and experts in the field to identify best practices for system office staff and board members for being informed of the financial condition and stability of the system institutions
- Reviewed statutes, ULS bylaws, and ULS policies and procedures to identify existing procedures and related requirements
- Interviewed system office staff and board members to identify existing procedures and related requirements

- Identified internal weaknesses by comparing best practices to statutes, ULS internal rules, and interview responses
- Obtained and reviewed internal audit reports and internal audit plans from the universities and the system's Internal Audit Charter from the system's Director of Internal Audit
- Compared internal audit reports submitted for Fiscal Years 2001 and 2002 to the universities' audit plans

Purchasing Strategies Considered to Reduce Costs

To determine if the Board of Supervisors and system office staff could coordinate and implement purchasing strategies to reduce costs, we performed the following procedures:

- Obtained best practices from other SREB states, professional organizations, and experts in the field (including energy consultants) to identify best practices in purchasing
- Reviewed statutes, ULS bylaws, and ULS policies and procedures to identify purchasing requirements for the system and individual institutions
- Interviewed board members, system office staff, and university officials to identify purchasing systems and practices
- Obtained and reviewed the expenditure breakdowns for the system in individual expenditure categories
- Reviewed minutes of the Ad-Hoc Purchasing Committee and interviewed members of the committee
- Identified strategies the board and system office have considered for reducing purchasing costs and made suggestions for further action

Accessibility of Data

To determine if the system office staff could coordinate activities to improve the accessibility of information for the Board of Supervisors and universities within the system, we performed the following procedures:

- Obtained information from other SREB states, professional organizations, and experts in the field, and attended an executive seminar held by consultants to identify best practices in the accessibility of information and data management
- Compiled a list and description of computer systems used at six of the universities within the system
- Interviewed appropriate board members, system office staff, and university officials to identify issues with system office communication, accessibility of data, reporting of data, and related problems

- Reviewed reporting requirements of both the Board of Regents and ULS and related data collection instruments
- Formulated possible solutions for the creation of a central databank based on our interviews of university officials and the ULS chief information officer

Appendix B

Summary of Matters for Legislative Consideration and Recommendations

Appendix B: Summary of Matters for Legislative Consideration and Recommendations

Matters for Legislative Consideration

Matter for Legislative Consideration 1: The legislature may wish to consider establishing an advisory commission within the Board of Regents to screen and select potential nominees to Louisiana's higher education governing boards. This commission could also establish specific criteria regarding the qualifications of nominees. Virginia's criteria that require candidates for higher education boards to be selected based on merit and experience could be used as a model. The commission may also wish to include in the criteria considerations used by the current governor, as well.

Matter for Legislative Consideration 2: The legislature may wish to consider passing legislation that establishes specific, detailed orientation and training requirements for appointees to the ULS Board of Supervisors. In doing so, the legislature may wish to expand the amount of orientation and specify certain course requirements for orientation and training such as budgeting, policy development, and higher education governance.

Matter for Legislative Consideration 3: The legislature may wish to consider adopting legislation that either stipulates participation requirements for board members and sanctions for unsatisfactory participation or requires the ULS Board of Supervisors to do so.

Matter for Legislative Consideration 4: The legislature may wish to consider passing legislation that establishes specific, detailed reporting requirements for higher education. The legislature may wish to specify that these requirements be uniform and apply to all institutions within the ULS.

Matter for Legislative Consideration 5: The legislature may wish to consider passing legislation that provides for the confidentiality of university internal audit work papers and works in progress. The legislature may wish to consider the provisions of R.S. 44:4 when addressing this issue.

Recommendations

Recommendation 1: The ULS Board of Supervisors and system office staff should determine whether all legally mandated requirements are being carried out. They should then consider whether to implement those requirements or approach the legislature to have them repealed. In addition, they should address whether other important duties contained in state law should be carried out even though they are not mandated.

Recommendation 2: The ULS system office staff should periodically review all job descriptions to ensure that they contain accurate and complete employee responsibilities and tasks. Essential tasks that are not contained in the job descriptions should be added. Tasks that are no longer performed or necessary should be deleted.

Recommendation 3: The Board of Supervisors and system office staff should review the service deficiencies cited by the universities in this section and determine if problems with the provision of these services actually exist. In doing so, they should consider whether the services are really necessary. The board and staff should then formulate and implement steps for corrective action.

Recommendation 4: The Board of Supervisors and system office staff should conduct periodic customer satisfaction surveys of the universities to ensure that they are providing essential and adequate services to them on a continuing and evolving basis.

Recommendation 5: The ULS Board of Supervisors should adopt as part of its bylaws or policies and procedures a specific staff responsibility to provide formal education and training to the members of the Board of Supervisors and to ULS university administrators. Using Texas as a model, the training program could focus on the official role and duties of board members and could provide training in budgeting, policy development, and governance.

Recommendation 6: After the ULS Board of Supervisors adopts a formal education and training policy, the system office should update the position descriptions of appropriate staff to provide clear responsibility for implementing education and training programs for the board members and university administrators.

Recommendation 7: If the legislature requires the ULS Board of Supervisors to do as stated in Matter for Legislative Consideration 3, the ULS board should adopt bylaws or policies and procedures that contain clear and specific participation requirements and sanctions for unsatisfactory participation by the members of the Board of Supervisors.

Recommendation 8: The ULS Board of Supervisors should adopt bylaws or policies and procedures that provide specific procedures to be used in hiring system office staff and filling university president vacancies. These procedures could require a national search and should provide for the use of national search firms and professional consultants, as appropriate.

Recommendation 9: The ULS Board of Supervisors should adopt clear and specific bylaws or policies and procedures to be used in setting and adjusting salaries for system office staff and university presidents. The new bylaws or policies and procedures should include criteria to be used in determining and adjusting salaries and should include provisions on how the Board of Regents Administrative Salary Policy should be used. Adopting bylaws or policies and procedures will help ensure that the salaries continue to be competitive with those for similar positions in other Southern Regional Education Board states, which, in turn, will help ensure that the system is able to retain qualified staff.

Recommendation 10: In order to provide clear guidance in the application of higher education salary-setting policy, the ULS should work with the Board of Regents to amend the Board of Regents Administrative Salary Policy to identify the populations covered by that policy. According to the Commissioner of Higher Education, the policy applies to system office staff and university presidents.

Recommendation 11: The ULS system office staff should address the deficiencies in service provision cited by board members in our surveys. The staff should also make a continuing effort to periodically measure their customers' satisfaction with the services they provide to them and make appropriate adjustments as necessary.

Recommendation 12: The ULS Board of Supervisors and system office staff should adopt formal bylaws and/or policies and procedures on reporting requirements for the universities within the system. The system office should then work with the universities to ensure that they implement the newly adopted reporting requirements. The formal, written bylaws and/or policies and procedures should include the following:

- Clear definitions of what is to be included in financial reports
- Formatting guidelines and directives
- Reporting processes including to whom to report, schedules of deadlines, and dates of submittals
- Procedures, such as the use of a checklist, that would ensure that submittals are accurate and complete

Recommendation 13: Once formal, uniform reporting bylaws and/or policies and procedures are adopted, the ULS Board of Supervisors and system office staff should take steps to continually enforce the requirements at the universities. Some suggestions are to make frequent and regular visits to system universities, create better relationships with university officials through increased communication, and develop a checklist of scheduled financial data and internal audit reports to be submitted.

Recommendation 14: The ULS Board of Supervisors should strengthen the importance it has placed on the internal audit function by taking a more active role in monitoring internal audit activities. The board should accomplish this by either using the existing Finance and Audit Committee or creating a separate Audit Committee to serve as a vehicle for implementing this important management control. This committee should regularly hear reports and testimony from the Director of Internal Audit and report to the Board of Supervisors on its actions. The Board of Supervisors should take corrective action, when appropriate, in response to internal audit findings and testimony.

Recommendation 15: The ULS internal audit director should prepare and coordinate a system-wide internal audit plan and ensure that the universities within the system follow it. To help accomplish this, he should discuss areas of mutual concern and potential risk areas with the university auditors and then create an audit guide to be used by all ULS internal audit staff.

Recommendation 16: The ULS system president should ensure that the internal audit director is scheduled on the agendas of the audit committee and Board of Supervisors meetings.

Recommendation 17: The ULS Board of Supervisors and system president should ensure that the Internal Audit Charter is amended to require the internal audit director to functionally report to the Board of Supervisors and administratively report to the system president.

Recommendation 18: The ULS internal audit director should meet privately with the Board of Supervisors at least once a year to help maintain his independence.

Recommendation 19: The ULS internal audit director should implement the following:

- Procedures to ensure that all universities within the system submit all required internal audit reports. These procedures may consist of creating a checklist of all reports that are due from each university throughout the year and then checking off the individual reports as they are received.
- Report presentation and formatting requirements for the universities to use when preparing and submitting internal audit reports.
- Procedures to check the internal audit reports submitted by the universities against the universities' audit plans to ensure that they are completing all audits and projects included in the plan.
- A filing system that will ensure that all internal audit reports completed by the universities are on file in the system office.

Recommendation 20: The ULS system office should review the provisions of R.S. 44:4 and consult with the internal audit director and his university counterparts to identify the authority needed to ensure internal audit confidentiality. If the system office feels that legislation is needed to provide for confidentiality of internal audit work papers and works in progress, it should work with the appropriate legislative staff to have a bill drafted and introduced at the next appropriate legislative session.

Recommendation 21: The ULS system office should use recommendations, strategies, and standards from outside sources such as the Institute of Internal Auditors and professional audit experts when implementing steps to improve the internal audit function.

Recommendation 22: The ULS Board of Supervisors and system office staff should develop action plans and begin to actively implement cost-savings measures approved by the Ad-Hoc Purchasing Committee. In addition, the committee should continue to explore other cost-savings measures. These two things should be done in coordination with university purchasing officials.

Recommendation 23: The ULS Board of Supervisors and system office staff should analyze each campus individually regarding ways to save on utility costs. In order to identify and implement feasible strategies, they should:

- Talk to pipeline safety experts
- Determine how universities should be pulled together to provide the most effective and powerful negotiating advantage for the system
- Employ or consult with a purchasing expert or designate a team with purchasing expertise
- Set up a system to continuously evaluate cost-savings strategies

Recommendation 24: The ULS Board of Supervisors and system office staff, through the Ad-Hoc Purchasing Committee, should continue working with the Division of Administration, legislative staff, and the Office of State Purchasing to make needed changes in state purchasing rules and policies, including further increasing the non-competitive bid limit for higher education.

Recommendation 25: The ULS Board of Supervisors and system office staff should improve coordination and communication between the system office and the university purchasing officials as they pertain to purchasing issues. One way to accomplish this is to institute regular meetings between university purchasing officials and system office staff to share information about cost-saving strategies, obstacles, and benefits. For this initiative to be effective, the board and staff must take the lead to coordinate information-sharing forums among the institutions. From these meetings, task forces could be formed to implement the various cost-savings measures they decide upon.

Recommendation 26: In order to free staff resources to focus on purchasing strategies, the ULS system office staff should conduct a staff utilization study to determine how to best allocate current staff to help manage the institutions within the system. The study should address whether current tasks are necessary, how the use of technology can improve staffing needs, and whether current job descriptions should be modified. This study will enable board members and system administrators to more effectively manage staff in dealing with issues such as cost-saving purchasing strategies.

Recommendation 27: The ULS Board of Supervisors and system office staff should work with university purchasing officials to develop a manual containing best practices for purchasing. Best practices can come from suggestions and input obtained from the university purchasing officials, systems in other states, and experts in the field. The manual could also contain the state purchasing regulations, possibly categorized by type of item purchased, so that purchasing staff would have all pertinent purchasing information in one easy-to-use reference source. The staff should distribute the manual to purchasing officials at each university within the system and hold periodic training sessions with them to review it.

Recommendation 28: The ULS system office staff should conduct a cost-benefit analysis to determine the amount of time, effort, and other associated costs involved in developing a centralized database and compare those costs to the benefits that would be derived. If the benefits outweigh the costs, the system president should move forward to implement the database.

Recommendation 29: The ULS Board of Supervisors and system office staff should work with the Board of Regents and other entities such as the Office of Facility Planning and Control and the Office of Planning and Budget to reduce or eliminate reporting redundancies by the universities. The system office staff can help accomplish this by communicating with and coordinating information requests with the Board of Regents.

Appendix C

University of Louisiana System's Response

UNIVERSITY OF LOUISIANA

S Y S T E M

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Office of the President

February 10, 2003

Dr. Sally Clausen
President

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Mr. Michael H. Woods

Mr. David Wright

**College
Begins
in
Preschool**

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Re: Performance Audit of the University of Louisiana System Board of Supervisors

Dear Mr. Austin:

As you requested, we have enclosed our formal responses to the recommendations contained in your office's performance audit report of the University of Louisiana System Board of Supervisors.


While we agreed, or partially agreed, with all twenty-nine recommendations included in the report, I am pleased to note that we have initiated, or completed, implementation of the recommendations as follows:

- Seven (7) of the recommendations have been fully implemented.
- Nine (9) of the recommendations simply involve the adoption of formal policies and procedures to ensure continuation of practices already in place. We are currently in the process of drafting these formal policies.
- The remaining thirteen (13) recommendations are either substantially completed, or in progress.

Again, I would like to express our appreciation for the professional manner in which your staff conducted this audit. We believe the report and recommendations will assist the Board of Supervisors and the System staff in our continuing efforts to improve our service to our universities.

Should you have any questions regarding any of our responses, or need additional information, please call me at (225) 342-6950.

Sincerely,


Sally Clausen
President

Enclosure
c: Board Members

**PERFORMANCE AUDIT
UNIVERSITY OF LOUISIANA SYSTEM
RESPONSES TO RECOMMENDATIONS**

Agency Response to #1: ULS agrees with the recommendation. The report identified two services contained in state law that are not specifically listed in the Bylaws. These services or functions [(1) authorizing institutions to develop courses of study for inmates and personnel at state correctional institutions, and (2) encouraging assistance to advance economic development] have been or are being carried out by institutions within the System with approval of the staff and Board as appropriate. The two statutorily mandated responsibilities will be listed in the Bylaws.

Agency Response to #2: ULS agrees that job descriptions should be periodically reviewed in relation to Board policies and procedures, bylaws and statutory responsibilities. Results of the reviews will assist in revisions of job descriptions with eliminations of those no longer performed or essential.

Agency Response to #3: The ULS agrees with the recommendation. Although universities, overall, indicated satisfaction with services provided to them by the Board and System staff, staff will continue to work closely with Board members and university administrators to identify and correct any deficiencies in certain types of services cited by the universities. Essential services will be determined and any necessary corrective actions will be implemented.

Agency Response to #4: The ULS agrees with the recommendation. System staff will continue to work closely with university administrators to identify and correct any deficiencies in certain types of services provided. In addition, the System staff will conduct periodic satisfaction surveys to ensure that it is providing relevant services in a manner that meets the universities' needs.

Agency Response to #5: The ULS agrees with the concept of continued formal education. It is generally agreed by educational consultants that such documents as the Board Rules should not be overly prescriptive and lengthy. The ULS will, however, propose a policies and procedures memorandum that delineates staff responsibilities for formal education and training of Board members and review the Texas model and others in formulating this policy.

Agency Response to #6: The ULS agrees that job descriptions should and will be updated as appropriate. They will also include any responsibilities for implementing education and training programs for Board members, university administrators and others, as deemed appropriate.

Agency Response to #7: The ULS partially agrees with this recommendation. The current Board Rules underwent a revision this past year following a thorough review by a nationally known independent higher education consultant. It was suggested to not include such “petty” verbiage in bylaws. He contended that some potentially helpful board members may not be able to attend certain meetings. His suggestion was to drop this requirement and leave it up to the Executive Committee, the Board Chair and the System President to address those with serious attendance problems. It is assumed that Board members are professionals who take their roles seriously and attempt to make as many of the meetings as they possibly can. It is agreed that regular attendance at Board meetings is important enough to emphasize to members during orientation sessions. Additionally, as a reminder to members of the importance of regular meeting attendance, the following has been inserted into the Bylaws: “Attendance at Meetings. The acceptance of an appointment to serve as a member of the Board of Supervisors carries with it the responsibility of attendance at regular meetings of the Board.” Should participation requirements for board members with sanctions for unsatisfactory participation be specified in legislation, this will be indicated in the Board’s Bylaws.

Agency Response to #8: The ULS partially agrees with this recommendation.
Regarding System Staff-

As stated in the report, the UL System has followed several detailed practices for hiring System office staff. These practices meet several of the best practices recommended by the National Center for higher Education Management systems (NCHEMS) and used in other SREB states. These practices will be described in a policies and procedures memorandum.

Regarding University Presidents –

When the Board Rules underwent its latest revision, a consultant assisted in the review process and made extensive recommendations. In revising the policy/guidelines for searches for university presidents, the staff also examined descriptions of search processes employed by 17 other public systems of higher education in the United States. A paper (*Search Processes for University Presidents*) summarizing the results of that review is available and was provided to the Audit staff.

It was evident from our research that search processes vary considerably from one system to another. It should be noted that the UL System policy incorporated several components (e.g., establishment of candidate criteria/qualifications by the board committee, approval of criteria/qualifications by the search committee, and recommendation of finalist by the system CEO) that were commonly found in other system policies. The Board chose (as does Pennsylvania and Utah) not to make use of advisory or “search and screen committees.” It also chose to continue its past practice of having the System President serve as the non-voting chair of the search committee.

The report appears to suggest the search process utilized by the University System of Georgia (Georgia Board of Regents) as a model. The staff has compared the Georgia process with that of the UL System. The System will include, in a policies and procedures memorandum, certain features (national search, possible use of search consultants, etc.) deemed appropriate and desirable to guide the Board in future searches.

Agency Response to # 9: The ULS agrees with this recommendation. The System's current practices for hiring and setting the salaries of System office staff and university presidents meet several best practices recommended by experts and used in other states. However, we agree that adopting Board approved policies and procedures would help to ensure that salaries continue to be competitive with those for similar positions in other Southern Regional Education Board states, which, in turn, will help ensure that the System is able to retain qualified staff.

Agency Response to #10: The System agrees and its staff will continue to work closely with the Commissioner of Higher Education and his staff to amend or clarify the Board of Regents' administrative salary policy and guidelines.

Agency Response to #11: The System agrees and staff will continue to work closely with Board members to identify and correct any deficiencies in services provided to them. In addition, the System staff will conduct periodic satisfaction surveys to ensure that it is providing relevant services in a manner that meets the Board members' needs and adjust services as appropriate.

Agency Response to #12: The ULS agrees with this recommendation. The System office's current practices include clear definitions for financial reports, formatting guidelines, submission dates and deadline schedules, and to whom the reports should be submitted. However, we agree that adopting formal policies and procedures, and checklists to ensure complete and accurate submittals could strengthen the reporting process.

Agency Response to #13: The ULS agrees with this recommendation. System staff will increase the frequency of its visits to campuses as limited resources permit, continue its efforts to improve relationships with university officials through better communication, and strengthen submission checklists for audit and financial reports.

Agency Response to #14: The ULS agrees that internal audit is an important management control and has already begun placing more emphasis on properly utilizing the function. In November 2001, the System employed a new director of internal audit who recognizes that an effective system internal audit function cannot be achieved without frequent and regular visits to system universities that create better relationships and communications with university officials. Since his employment, the director has taken steps to strengthen the internal audit function by holding quarterly meetings of the university internal audit directors. Additionally, the Board has established an Audit Committee, and appointed committee members. The chair of this committee, Mr. Charles Teamer, has extensive experience in higher education finance and has been associated with the Southern Association of Colleges and Schools (SACS) and the National Association of College and University Business Officers (NACUBO) for many years. The Director of Internal Audit will have the responsibility to ensure that all critical situations, problems, and information are identified and conveyed to the Board so that corrective action can be taken.

Agency Response to #15: The ULS partially agrees with this recommendation. The director currently prepares a consolidated System-wide annual audit plan. The plan is developed based on input from the university internal auditors, the ULS office, the Board, and the Office of the Legislative Auditor as to areas of mutual concern and potential risk. The plan includes specific audits to be completed by the System director, common audits to be completed by all universities, and audits necessitated because of unique requests from individual universities. The Finance and Audit Committee reviews and, if necessary, revises the plan. The committee then presents the plan to the Board of Supervisors for approval. Increased emphasis will be placed on monitoring the plan throughout the year to ensure that the universities follow it. The director will assist the internal auditors in the creation of audit guides.

Agency Response to #16: The ULS agrees with this recommendation. The Director of Internal Audit will attend and participate in those meetings of the Audit Committee and the Board that relate to its oversight responsibilities for auditing, reporting, organizational governance, and control. The director's attendance at the meetings and the presentation of written and/or oral reports will provide for an exchange of information concerning the plans and activities of internal audit.

Agency Response to #17: The ULS agrees with this recommendation and will amend its charter to reflect the director reporting administratively to the system president and functionally to the Board.

Agency Response to #18: The ULS agrees with this recommendation. The Director of Internal Audit will meet privately with the Board at least once a year. As part of the increased emphasis on internal audit, the director will have direct communication with the Board. The ULS recognizes that regular communication with the Board helps assure independence and provides a means for the Board and the director to keep each other informed on matters of mutual interest.

Agency Response to #19: ULS agrees with this recommendation. Responses to the bulleted subparts of this recommendation are indicated below.

- *“Procedures to ensure that all universities within the system submit all required internal audit reports. These procedures may consist of creating a checklist of all reports that are due from each university throughout the year and then checking off the individual reports as they are received.”*

Response: The director will use the System annual audit plan as approved by the Board as a checklist of all reports that are due from each university. The university audit director will be required to submit rationale to the System director when the plan is not being followed.

- *“Report presentation and formatting requirements for the universities to use when preparing and submitting internal audit reports.”*

Response: The ULS agrees with this recommendation. The director will work with the Council of Internal auditors in developing report presentation and formatting requirements for internal audit reports.

- *“Procedures to check the internal audit reports submitted by the universities against the universities’ audit plans to ensure that they are completing all audits and projects included in the plan.”*

Response: As mentioned previously in the response to this agreed upon recommendation, the director of internal audit will use the System annual audit plan as approved by the Board as a checklist of all reports that are due from each university.

- *“A filing system that will ensure that all internal audit reports completed by the universities are on file in the system office.”*

Response: The ULS agrees with this recommendation. Audit reports completed by each university will be filed by calendar quarter along with the summary of audits prepared for the Board. There will also be a cross file by university of audits completed.

Agency Response to #20: The ULS agrees. Internal auditors in higher education have recognized the need for legislation to provide for confidentiality of audit work papers for a long time. Accordingly, the directors of internal audit for the UL System, the Louisiana Community and Technical College System, the Southern University System, and LSU System are currently working together and with the Board of Regents staff to draft legislation and will introduce it at the next session of the Legislature.

Agency Response to #21: The ULS agrees with this recommendation and has already begun using information from outside sources to improve the internal audit function. The ULS recognizes this performance audit by the Office of Legislative Auditor as a valuable service in defining its internal audit function. The UL System president and Board have reviewed material from the Institute of Internal Auditors (IIA) as a resource in upgrading internal audit to its proper role. The System president has stressed the importance of training as critical for the director to maintain expertise in his field. Accordingly, the director recognizes the importance of and seeks every opportunity for training, especially participation in the Association of College & University Auditors conferences. The information taken from those conferences is immediately shared with the president, Board, and university internal auditors. The director agrees with the IIA that to improve the internal audit function, it should undergo a quality assurance review. Consequently, working with the National and State Associations of College and University Auditors and each of the internal audit offices at ULS institutions, efforts will be made to conduct quality assurance reviews.

Agency Response to #22: The ULS agrees with this recommendation. Establishment of the Board of Supervisor's Ad Hoc Committee on System-wide Purchasing in March 2002 substantiates the Board's commitment to assist the universities in reducing costs through the combined purchasing power of the System.

As potential cost saving areas were identified by the Committee and university/System office participants during the 2002 year, it became evident the System office needed to establish the legal authority to act as the institutions' procurement agent for the acquisition of certain goods and services. As a result, a "Cooperative Purchasing Agreement", designating the System office as the procurement unit, has been drafted to comply with the requirements of R.S. 39:1701-02. Once legal counsel reviews this document, steps will be taken to fully implement cooperative procurement in coordination with university purchasing officials.

Agency Response to #23: The ULS agrees with this recommendation. ULS Board member's concern about protecting the System universities from rising natural gas and power prices was the first topic discussed in the first meeting of the Ad Hoc Committee on System wide Purchasing in April, 2002. Subsequent to that discussion, system staff began meeting with representatives of the Public Service Commission, Facility Planning and Control, and the Department of Natural Resources to explore cost savings options. It has been determined that the System Office will need the assistance of an "expert" to identify opportunities for economies and has recently begun negotiations with an energy management consultant for the purpose of evaluating and effectuating cost-savings strategies on the individual campuses.

Agency Response to #24: The ULS agrees with this recommendation. System office staff is currently surveying the UL System institutions on the number and dollar volume of purchase orders by category and the estimated cost to process a purchase order to facilitate efforts to further increase the non-competitive bid limit. The Division of Administration, Office of State Purchasing has already been of great assistance to the staff in their efforts to develop a system of collective purchasing; and has given every indication they will continue to work with the system office to accomplish our objectives.

Agency Response to #25: The ULS agrees with this recommendation. The ULS will take lead in coordinating information sharing about cost saving strategies, obstacles and benefits. The university chief procurement officers will periodically be included in Ad Hoc committee meetings to capitalize on their ideas, expertise and knowledge of the Louisiana Procurement Code.

Agency Response to #26: The ULS agrees with this recommendation. A Staff Utilization Survey is currently underway using an independent performance consultant. The focus group for the study is the Facilities Planning function; however, other functional areas will follow. The study will identify whether current tasks are necessary, how the use of technology can improve staffing needs, and whether current job descriptions should be modified.

Agency response to #27: The ULS agrees with this recommendation. System staff will work with university purchasing officials to identify best practices and to aggregate procurement regulations, guidelines and best practices into an easy-to-use reference source. Periodic training on best practices will also be provided.

Agency Response to #28: The ULS agrees with this recommendation. The System Office is in the process of developing a three-year strategic plan with the Board of Regents to address all areas of technology, including the most cost-effective approach to develop and/or share a centralized database.

Agency Response to #29: The ULS agrees with this recommendation. The System Office will work with the Board of Regents and other agencies to identify any similar requests and will attempt to eliminate or reduce reporting redundancies.